UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 8-K

## CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):
NOVEMBER 1, 2004

VALERO L.P.
(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| DELAWARE | 1-16417 | 74-2956831 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| | |
|---|---|
| One Valero Way<br>San Antonio, Texas | 78249 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (210) 345-2000

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[x] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On November 1, 2004, Valero L.P., a Delaware limited partnership, issued a press release announcing financial results for the quarter ended September 30, 2004. A copy of the press release announcing the financial results is furnished with this report as Exhibit 99.1, and is incorporated herein by reference.

The information in this report is being furnished, not filed, pursuant to Item 2.02 of Form 8-K. Accordingly, the information in this report, including the press release, will not be incorporated by reference into any registration statement filed by the Company under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

NON-GAAP FINANCIAL MEASURES

The press release announcing the earnings discloses certain financial measures, EBITDA and distributable cash flow, that are non-GAAP financial measures as defined under SEC rules. The press release furnishes a reconciliation of these non-GAAP financial measures to their nearest GAAP financial measures. Management uses these financial measures because they are widely accepted financial indicators used by investors to compare partnership performance. In addition, management believes that these measures provide investors an enhanced perspective of the operating performance of the partnership's assets and the cash that the business is generating. Neither EBITDA nor distributable cash flow are intended to represent cash flows for the period, nor are they presented as an alternative to net income or cash flow from operations. They should not be considered in isolation or as substitutes for a measure of performance prepared in accordance with United States generally accepted accounting principles.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

99.1 Press Release dated November 1, 2004.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VALERO L.P.

By: Riverwalk Logistics, L.P.
Valero L.P.'s general partner

By: Valero GP, LLC
Riverwalk Logistics, L.P.'s
general partner

Date: November 1, 2004

By:/s/Bradley C. Barron

Name: Bradley C. Barron
Title: Corporate Secretary

# VALERO L.P. REPORTS THIRD QUARTER EARNINGS AND ANNOUNCES QUARTERLY DISTRIBUTION

SAN ANTONIO, November 1, 2004 -- Valero L.P. (NYSE: VLI) today announced net income applicable to limited partners of $17.9 million, or $0.78 per unit, for the third quarter of 2004, compared to $18.5 million, or $0.82 per unit, for the third quarter of 2003. For the nine months ended September 30, 2004, net income applicable to limited partners was $54.6 million, or $2.37 per unit, compared to $47.4 million, or $2.23 per unit, for the nine months ended September 30, 2003. Distributable cash flow available to limited partners for the third quarter was $22.7 million, compared to $21.3 million for the third quarter of 2003.

With respect to the quarterly distribution to unitholders payable for the third quarter of 2004, Valero L.P. also announced that it has declared a distribution of $0.80 per unit payable November 12, 2004 to holders of record as of November 8, 2004.

"Although we had a solid quarter operationally, our financial results were impacted by a 16-day outage on the primary gasoline producing unit at Valero Energy's McKee refinery," said Curt Anastasio, Valero L.P.'s Chief Executive Officer. "Given that our logistics system supporting the McKee refinery typically contributes approximately 40 percent of our operating income, the outage affected this quarter's earnings by approximately five cents per unit. Even with this outage, our distribution coverage to limited partners remains strong at 1.23 times our current quarterly distribution rate of 80 cents per unit.

"Looking at the fourth quarter, Valero Energy's Benicia refinery is currently down for a planned 35-day plant-wide turnaround that is nearing completion. Since we own the crude storage facilities at that plant, we expect this to affect our fourth quarter earnings by about five cents per unit, so we expect fourth quarter earnings to be about the same as we achieved in the third quarter," said Anastasio.

Valero L.P. also announced this morning a proposed merger with Kaneb Pipe Line Partners, L.P. and the acquisition of its general partner, Kaneb Services, LLC.

"We are excited about the tremendous opportunities created by this proposed merger. This is a significant milestone for the partnership that will greatly expand our geographic and product diversification making us the largest terminal operator and second largest petroleum liquids pipeline operator in the United States. In addition, we believe that the transaction will be significantly accretive to cash flow. Upon completion of the merger, we intend to increase our distribution to $3.42 per unit annually, which is a nearly 7 percent increase from our current rate of $3.20 per unit annually. We anticipate closing in the first quarter of 2005 and expect to quickly integrate these assets into our system," said Anastasio.

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A conference call with management is scheduled for 10:00 a.m. ET (9:00 a.m. CT) today, November 1, 2004, to discuss the proposed merger with Kaneb Pipe Line Partners, L.P. and the proposed purchase of Kaneb Services, LLC and respond to questions regarding the financial and operational results for the third quarter of 2004. Anyone interested in listening to the presentation may call 800/901-5218, passcode VALERO, or visit the partnership's web site at www.valerolp.com.

Valero L.P. owns and operates crude oil and refined product pipelines, refined product terminals and refinery feedstock storage assets primarily in Texas, New Mexico, Colorado, Oklahoma and California. The partnership transports refined products from Valero Energy's refineries to established and growing markets in the Mid-Continent, Southwest and the Texas-Mexico border region of the United States. In addition, its pipelines, terminals and storage facilities primarily support eight of Valero Energy's key refineries with crude oil and other feedstocks as well as provide access to domestic and foreign crude oil sources.

INVESTOR NOTICE

Valero L.P., Kaneb Services, LLC ("Kaneb Services") and Kaneb Pipe Line Partners, L.P. ("Kaneb Partners") will file a proxy statement and/or a joint proxy statement/prospectus and other documents with the Securities and Exchange Commission. Investors and security holders are urged to read carefully these documents when they become available because they will contain important information regarding Valero L.P., Kaneb Services, Kaneb Partners and the merger. A definitive proxy statement and/or joint proxy statement/prospectus will be sent to security holders of Valero L.P., Kaneb Services, and Kaneb Partners seeking their approval of the transactions contemplated by the merger agreements. Investors and security holders may obtain a free copy of the proxy statement and/or joint proxy statement/prospectus (when available) and other documents containing information about Valero L.P., Kaneb Services, and Kaneb Partners, without charge, at the SEC's web site at www.sec.gov. Copies of the proxy statement and/or definitive joint proxy statement/prospectus and the SEC filings that will be incorporated by reference in the joint proxy statement/prospectus may also be obtained free of charge by directing a request to Kaneb Services or the respective partnerships.

Valero L.P., Kaneb Services, Kaneb Partners, and the officers and directors of Kaneb Services and of the respective general partners of Valero L.P. and Kaneb Partners may be deemed to be participants in the solicitation of proxies from their security holders. Information about these persons can be found in Valero L.P.'s, Kaneb Services', and Kaneb Partners' respective Annual Reports on Form 10-K filed with the SEC, and additional information about such persons may be obtained from the proxy statement and/or joint proxy statement/prospectus when available.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

THIS PRESS RELEASE INCLUDES FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE SECURITIES LITIGATION REFORM ACT OF 1995 REGARDING FUTURE EVENTS AND THE FUTURE FINANCIAL PERFORMANCE OF VALERO L.P. ALL FORWARD-LOOKING STATEMENTS ARE BASED ON THE PARTNERSHIP'S BELIEFS AS WELL AS ASSUMPTIONS MADE BY AND INFORMATION CURRENTLY AVAILABLE TO THE PARTNERSHIP. THESE STATEMENTS REFLECT THE PARTNERSHIP'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO VARIOUS RISKS, UNCERTAINTIES AND ASSUMPTIONS. THESE RISKS, UNCERTAINTIES AND ASSUMPTIONS ARE DISCUSSED IN VALERO L.P.'S 2003 ANNUAL REPORT ON FORM 10-K AND SUBSEQUENT FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION.

FOR MORE INFORMATION, VISIT VALERO L.P.'S WEB SITE AT WWW.VALEROLP.COM.

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VALERO L.P.
CONSOLIDATED FINANCIAL INFORMATION
SEPTEMBER 30, 2004 AND 2003
(UNAUDITED, IN THOUSANDS, EXCEPT UNIT DATA AND PER UNIT DATA)

| | THREE MONTHS ENDED SEPTEMBER 30, 2004 | THREE MONTHS ENDED SEPTEMBER 30, 2003 | NINE MONTHS ENDED SEPTEMBER 30, 2004 | NINE MONTHS ENDED SEPTEMBER 30, 2003 |
|---|---|---|---|---|
| STATEMENT OF INCOME DATA (NOTE 1): | | | | |
| Revenues | $ 58,075 | $ 51,695 | $ 166,106 | $ 131,053 |
| Costs and expenses: | | | | |
| Operating expenses | 21,626 | 19,445 | 59,746 | 47,441 |
| General and administrative expenses | 3,588 | 1,588 | 8,233 | 5,102 |
| Depreciation and amortization | 8,413 | 7,135 | 24,536 | 18,687 |
| Total costs and expenses | 33,627 | 28,168 | 92,515 | 71,230 |
| OPERATING INCOME | 24,448 | 23,527 | 73,591 | 59,823 |
| Equity income from Skelly-Belvieu Pipeline Company | 372 | 657 | 1,102 | 1,988 |
| Interest and other expense, net | (5,433) | (4,504) | (15,630) | (11,617) |
| NET INCOME | 19,387 | 19,680 | 59,063 | 50,194 |
| Net income applicable to general partner including incentive distributions (Note 2) | (1,478) | (1,138) | (4,451) | (2,828) |
| Net income applicable to limited partners | $ 17,909 | $ 18,542 | $ 54,612 | $ 47,366 |
| Net income per unit applicable to limited partners (Note 2) | $ 0.78 | $ 0.82 | $ 2.37 | $ 2.23 |
| Weighted average number of limited partnership units outstanding (Note 3) | 23,041,394 | 22,477,019 | 23,041,394 | 21,256,196 |
| Earnings before interest, taxes and depreciation and amortization (EBITDA, Note 4) | $ 33,233 | $ 31,319 | $ 99,229 | $ 80,498 |
| Distributable cash flow (Note 4) | $ 25,684 | $ 24,089 | $ 76,690 | $ 63,813 |

| | SEPTEMBER 30, 2004 | SEPTEMBER 30, 2003 | DECEMBER 31 2003 |
|---|---|---|---|
| BALANCE SHEET DATA: | | | |
| Long-term debt, including current portion (a) | $ 395,599 | $ 358,095 | $ 54,192 |
| Partners' equity (b) | 438,903 | 437,168 | 438,163 |
| Debt-to-capitalization ratio (a) / ((a)+(b)) | 47.4% | 45.0% | 44.7% |

See accompanying notes below.

VALERO L.P.
CONSOLIDATED FINANCIAL INFORMATION - CONTINUED
SEPTEMBER 30, 2004 AND 2003
(UNAUDITED, IN THOUSANDS, EXCEPT BARREL INFORMATION)

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| OPERATING DATA: | | | | |
| CRUDE OIL PIPELINES: | | | | |
| Throughput (barrels/day) | 380,395 | 385,181 | 384,643 | 355,636 |
| Revenues | $ 13,231 | $ 14,166 | $ 39,462 | $ 38,707 |
| Operating expenses | 4,225 | 4,173 | 11,825 | 11,827 |
| Depreciation and amortization | 1,136 | 1,227 | 3,368 | 4,083 |
| SEGMENT OPERATING INCOME | $ 7,870 | $ 8,766 | $ 24,269 | $ 22,797 |
| REFINED PRODUCT PIPELINES: | | | | |
| Throughput (barrels/day) | 433,695 | 432,885 | 440,853 | 375,945 |
| Revenues | $ 22,324 | $ 20,819 | $ 63,764 | $ 51,439 |
| Operating expenses | 10,493 | 8,885 | 28,360 | 21,163 |
| Depreciation and amortization | 3,690 | 3,405 | 10,978 | 8,815 |
| SEGMENT OPERATING INCOME | $ 8,141 | $ 8,529 | $ 24,426 | $ 21,461 |
| REFINED PRODUCT TERMINALS: | | | | |
| Throughput (barrels/day) | 260,440 | 236,440 | 256,291 | 215,925 |
| Revenues | $ 11,150 | $ 8,438 | $ 30,259 | $ 22,614 |
| Operating expenses | 4,677 | 4,553 | 13,930 | 11,020 |
| Depreciation and amortization | 1,720 | 853 | 4,593 | 2,472 |
| SEGMENT OPERATING INCOME | $ 4,753 | $ 3,032 | $ 11,736 | $ 9,122 |
| CRUDE OIL STORAGE TANKS: | | | | |
| Throughput (barrels/day) | 517,135 | 433,921 | 490,190 | 330,192 |
| Revenues | $ 11,370 | $ 8,272 | $ 32,621 | $ 18,293 |
| Operating expenses | 2,231 | 1,834 | 5,631 | 3,431 |
| Depreciation and amortization | 1,867 | 1,650 | 5,597 | 3,317 |
| SEGMENT OPERATING INCOME | $ 7,272 | $ 4,788 | $ 21,393 | $ 11,545 |
| CONSOLIDATED INFORMATION: | | | | |
| Throughput (barrels/day) | 1,591,665 | 1,488,427 | 1,571,977 | 1,277,698 |
| Revenues | $ 58,075 | $ 51,695 | $ 166,106 | $ 131,053 |
| Operating expenses | 21,626 | 19,445 | 59,746 | 47,441 |
| Depreciation and amortization | 8,413 | 7,135 | 24,536 | 18,687 |
| SEGMENT OPERATING INCOME | 28,036 | 25,115 | 81,824 | 64,925 |
| General and administrative expenses | 3,588 | 1,588 | 8,233 | 5,102 |
| CONSOLIDATED OPERATING INCOME | $ 24,448 | $ 23,527 | $ 73,591 | $ 59,823 |

| | | | |
|---|---|---|---|
| ========= | ========= | ========= | ========= |

See accompanying notes below.

VALERO L.P.
CONSOLIDATED FINANCIAL INFORMATION - CONTINUED
SEPTEMBER 30, 2004 AND 2003
(UNAUDITED)

NOTES:

1. The statement of income data for the nine months ended September 30, 2004 includes $32 million of operating income related to the various acquisitions completed by Valero L.P. during 2003 and 2004. These acquisitions consist of the Paulsboro refined product terminal acquired on September 3, 2003, the Southlake refined product pipeline acquisition effective August 1, 2003, the Shell pipeline interest acquired on May 1, 2003, the crude oil storage tanks and the South Texas pipelines and terminals acquired on March 18, 2003 and on February 20, 2004, the Royal Trading asphalt terminals. The statement of income for the nine months ended September 30, 2003 includes $20 million of operating income related to the 2003 acquisitions mentioned above.

2. Net income is allocated between limited partners and the general partner's interests based on provisions in the partnership agreement. The apportioned net income applicable to limited partners is divided by the weighted average number of limited partnership units outstanding in computing the net income per unit applicable to limited partners. Net income per unit applicable to the general partner includes incentive distributions, aggregating $1.1 million and $0.8 million for the three months ended September 30, 2004 and 2003, respectively, and $3.3 million and $1.9 million for the nine months ended September 30, 2004 and 2003, respectively.

3. The increase in outstanding limited partnership units over comparable periods is due to the 2003 public offerings of common units by Valero L.P. in March, April and August, in which 7,567,250 common units were sold. Partially offsetting the increase in new units sold was the redemption in March 2003 of 3,809,750 common units held by UDS Logistics, LLC, an affiliate of Valero Energy Corporation. As of September 30, 2004, Valero L.P. has 23,041,394 common and subordinated units outstanding.

4. Valero L.P. utilizes two financial measures, EBITDA and distributable cash flow, which are not defined in United States generally accepted accounting principles. Management uses these financial measures because they are widely accepted financial indicators used by investors to compare partnership performance. In addition, management believes that these measures provide investors an enhanced perspective of the operating performance of the partnership's assets and the cash that the business is generating. Neither EBITDA nor distributable cash flow are intended to represent cash flows for the period, nor are they presented as an alternative to net income. They should not be considered in isolation or as substitutes for a measure of performance prepared in accordance with United States generally accepted accounting principles.

   The following is a reconciliation of net income to EBITDA and distributable cash flow (in thousands):

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Net income | $ 19,387 | $ 19,680 | $ 59,063 | $ 50,194 |
| Plus interest and other expense, net | 5,433 | 4,504 | 15,630 | 11,617 |
| Plus depreciation and amortization | 8,413 | 7,135 | 24,536 | 18,687 |
| EBITDA | 33,233 | 31,319 | 99,229 | 80,498 |
| Less equity income from Skelly-Belvieu Pipeline Company | (372) | (657) | (1,102) | (1,988) |
| Less interest and other expense, net | (5,433) | (4,504) | (15,630) | (11,617) |
| Less reliability capital expenditures | (1,992) | (2,664) | (7,030) | (5,302) |
| Plus distributions from Skelly-Belvieu Pipeline Company | 248 | 595 | 1,223 | 2,222 |

| | | | | |
|---|---|---|---|---|
| DISTRIBUTABLE CASH FLOW | $ 25,684 | $ 24,089 | $ 76,690 | $ 63,813 |
| General Partner interest in distributable cash flow | (2,946) | (2,815) | (8,748) | (6,782) |
| Limited Partners' interest in distributable cash flow | $ 22,738 | $ 21,274 | $ 67,942 | $ 57,031 |