

VALERO ENERGY CORP/TX  
Form 11-K  
June 28, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 11-K**

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**ANNUAL REPORT PURSUANT TO SECTION 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

Commission File Number 1-13175

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**VALERO ENERGY CORPORATION THRIFT PLAN**

**VALERO ENERGY CORPORATION**

**One Valero Way**

**San Antonio, Texas 78249**

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**VALERO ENERGY CORPORATION THRIFT PLAN**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Administrative Committee

Valero Energy Corporation Thrift Plan:

We have audited the accompanying statements of net assets available for benefits of Valero Energy Corporation Thrift Plan (the Plan) as of December 31, 2004 and 2003, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2004 and 2003, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule H, line 4i supplemental schedule of assets (held at end of year) as of December 31, 2004 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

San Antonio, Texas

June 28, 2005

**Table of Contents****VALERO ENERGY CORPORATION THRIFT PLAN****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

|  | <b>December 31,</b>   |                       |
|--|-----------------------|-----------------------|
|  | <b>2004</b>           | <b>2003</b>           |
| <b>Assets:</b>                           |                       |                       |
| Investments:                             |                       |                       |
| Common stock                             | \$ 426,484,153        | \$ 208,696,220        |
| Mutual funds                             | 259,431,648           | 211,728,413           |
| Common/collective trusts                 | 153,310,475           | 146,410,530           |
| Self-directed investments                | 71,414,467            | 58,402,649            |
| Participant loans                        | 32,861,343            | 28,604,750            |
| Money market security                    | 429,079               | 270,353               |
| <b>Total investments</b>                 | <b>943,931,165</b>    | <b>654,112,915</b>    |
| Receivables:                             |                       |                       |
| Employer contributions                   | 772,594               | 852,917               |
| Interest and dividends                   | 38,660                | 57,179                |
| Due from brokers for securities sold     | 586,621               | 1,286,622             |
| <b>Total receivables</b>                 | <b>1,397,875</b>      | <b>2,196,718</b>      |
| Cash                                     | 71,659                | 100,521               |
| <b>Net assets available for benefits</b> | <b>\$ 945,400,699</b> | <b>\$ 656,410,154</b> |

See Notes to Financial Statements.

**Table of Contents****VALERO ENERGY CORPORATION THRIFT PLAN****STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

|  | <b>Years Ended December 31,</b> |                     |
|--|---------------------------------|---------------------|
|  | <b>2004</b>                     | <b>2003</b>         |
| <b>Investment income:</b>                                |                                 |                     |
| Interest income  | \$ 1,760,266                    | \$ 3,040,136        |
| Dividend income  | 13,017,491                      | 7,114,485           |
| Net appreciation in fair value of investments            | 232,967,245                     | 108,214,186         |
| <b>Total investment income</b>                           | <b>247,745,002</b>              | <b>118,368,807</b>  |
| <b>Contributions:</b>                                    |                                 |                     |
| Employee   | 59,043,372                      | 48,965,805          |
| Employer, net of forfeitures                             | 26,433,887                      | 23,866,917          |
| <b>Total contributions</b>                               | <b>85,477,259</b>               | <b>72,832,722</b>   |
| <b>Asset transfers in from other plans:</b>              |                                 |                     |
| Valero Savings Plan                                      | 45,313                          | 205,935             |
| Orion 401(k) Plan  |                                 | 8,123,916           |
| <b>Total asset transfers in from other plans</b>         | <b>45,313</b>                   | <b>8,329,851</b>    |
|  | <b>333,267,574</b>              | <b>199,531,380</b>  |
| <b>Deductions from net assets:</b>                       |                                 |                     |
| Withdrawals by participants                              | (43,853,959)                    | (31,983,836)        |
| Asset transfers out to Valero Savings Plan               | (72,436)                        | (21,886)            |
| Administrative expenses                                  | (350,634)                       | (224,455)           |
| <b>Total deductions</b>                                  | <b>(44,277,029)</b>             | <b>(32,230,177)</b> |
| <b>Net increase in net assets available for benefits</b> | <b>288,990,545</b>              | <b>167,301,203</b>  |
| <b>Net assets available for benefits:</b>                |                                 |                     |
| Beginning of year  | 656,410,154                     | 489,108,951         |
| End of year  | \$ 945,400,699                  | \$ 656,410,154      |

See Notes to Financial Statements.



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**VALERO ENERGY CORPORATION THRIFT PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**1. Description of the Plan**

As used in this report, the term Valero may refer, depending upon the context, to Valero Energy Corporation, one or more of its consolidated subsidiaries, or all of them taken as a whole.

Valero Energy Corporation is a publicly held independent refining and marketing company with approximately 20,000 employees. As of December 31, 2004, Valero owned and operated 15 refineries in the United States, Canada and Aruba with a combined throughput capacity, including crude oil and other feedstocks, of approximately 2.5 million barrels per day. Valero markets refined products through an extensive bulk and rack marketing network and a network of more than 4,700 retail and wholesale branded outlets in the United States, Canada and Aruba under various brand names including Valero®, Diamond Shamrock®, Shamrock®, Ultramar® and Beacon®. Through agreements with Valero L.P., Valero has access to a logistics system that complements Valero's refining and marketing business. Valero L.P. is a publicly traded, master limited partnership that owns and operates crude oil pipelines, crude oil and intermediate feedstock storage facilities, and refined product pipelines and terminals primarily in Texas, California, Oklahoma, New Mexico and Colorado. Valero owns approximately 46% of Valero L.P., which has no employees but is instead operated by employees of Valero affiliates who are included in the Thrift Plan.

Valero's common stock trades on the New York Stock Exchange under the symbol VLO.

The following description of the Valero Energy Corporation Thrift Plan (the Thrift Plan) provides only general information. Participants should refer to the plan document for a complete description of the Thrift Plan's provisions.

***General***

The Thrift Plan is a qualified profit-sharing plan covering eligible employees of Valero. The Thrift Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Valero is the plan sponsor. An administrative committee, consisting of persons selected by Valero, administers the Thrift Plan. The members of the administrative committee serve without compensation for services in that capacity. Merrill Lynch Trust Company, FSB is the trustee under the Thrift Plan and has custody of the securities and investments of the Thrift Plan through a trust (the Thrift Plan Trust). Merrill Lynch, Pierce, Fenner & Smith Incorporated is the record keeper for the Thrift Plan.

***Asset Transfers***

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On July 1, 2003, Valero completed its acquisition of Orion Refining Corporation's (Orion) refinery located in St. Charles Parish, Louisiana, approximately 15 miles west of New Orleans. Former Orion employees who became employees of Valero became eligible to participate in the Thrift Plan and could elect to transfer their balances from the Orion Refining Corporation Savings Plan (Orion Plan) to the Thrift Plan. Account balances of \$8,123,916 were transferred into the Thrift Plan from the Orion Plan.

On March 5, 2004, Valero acquired El Paso Corporation's refinery located on the island of Aruba in the Caribbean Sea and certain related businesses. In conjunction with this acquisition, certain former El Paso



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**VALERO ENERGY CORPORATION THRIFT PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

employees who were expatriates working in Aruba became employees of Valero and became eligible to participate in the Thrift Plan.

In addition, from time to time, asset transfers occur between the Valero Savings Plan and the Thrift Plan due to the transfer or reemployment of employees to or from retail store positions.

***Participation***

Participation in the Thrift Plan is voluntary and is open to Valero employees who become eligible to participate upon the completion of 30 days of continuous service. However, retail store employees are not eligible to participate in the Thrift Plan as they are eligible to participate in another plan sponsored by Valero. Employees are eligible to participate in Valero's employer matching contributions after completion of one year of continuous service.

Continuous service begins the first day for which an employee is paid and terminates on the date of the employee's retirement, death or other termination from service. If an employee's employment is terminated and the employee is subsequently reemployed within 12 months, the period between the severance from service and the date of reemployment is generally included in continuous service. If the employee is not reemployed within 12 months, the employee is deemed to have incurred a break in service. Former participants who are reemployed after a break in service are generally eligible to become participants immediately following reemployment.

***Contributions***

Participants can make basic contributions of not less than 2% or more than 8% of their annual total salary immediately upon commencement of participation. In addition, participants who make a basic contribution of 8% can also make a supplemental contribution of up to 22% of their annual total salary. Annual total salary represents a participant's current base salary, which includes commissions, overtime, job upgrade pay and shift differential pay and is not reduced for pre-tax contributions for the purchase of benefits and to reimbursement accounts for medical and child care expenses under Valero's FlexPlan benefits program nor for pre-tax contributions under the Thrift Plan itself. Annual total salary also includes cash bonuses. Participants may change their basic or supplemental contribution percentages at any time. In addition, any employee may make rollover contributions. For the years ended December 31, 2004 and 2003, rollover contributions totaled \$5,435,411 and \$4,050,315, respectively, and are included in employee contributions in the statements of changes in net assets available for benefits.

Participants elect to make contributions to the Thrift Plan on a before-tax and/or after-tax basis. Federal income taxes on before-tax contributions are deferred until the time a distribution is made to the participant. The Internal Revenue Code of 1986, as amended (the Code) establishes an annual limitation on the amount of individual pre-tax salary deferral contributions. The limit was \$13,000 and \$12,000 for the years ended December 31, 2004 and 2003, respectively. Participants who were eligible to make pre-tax contributions and who attained age 50 before the end of the year were eligible to make an additional catch-up pre-tax contribution of up to \$3,000 and \$2,000 for the years ended December 31, 2004 and 2003, respectively.

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For the year ended December 31, 2003, Valero made an employer contribution to the Thrift Plan equal to 75% of participants' total basic contributions, i.e., including base salary and cash bonuses. Commencing December 31, 2003, the Thrift Plan was amended to provide that Valero's employer contribution to the

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**VALERO ENERGY CORPORATION THRIFT PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Thrift Plan would be 75% of contributions related to participants' base salary, i.e., excluding cash bonuses.

***Forfeitures***

Valero's employer contributions are reduced by any forfeited non-vested accounts of terminated participants and increased by the value of prior forfeited non-vested accounts for participants who are rehired within five years from date of termination. For the years ended December 31, 2004 and 2003, employer contributions were reduced by \$192,280 and \$201,753, respectively, related to forfeited non-vested accounts. As of December 31, 2004 and 2003, forfeited non-vested accounts available to reduce future employer contributions were \$7,686 and \$40,418, respectively.

***Participant Accounts***

Employer contributions are credited to an employer account for each participant and employee contributions are credited to an employee account maintained under the Thrift Plan for each participant. The employer and employee accounts for each participant are adjusted to reflect all contributions, withdrawals, income, expenses, gains and losses attributable to these accounts.

***Vesting***

Participants are vested 100% in their employee account at all times. Participants vest in their employer account at the rate of 20% per year with 100% vesting after the fifth year of continuous service.

The Thrift Plan provides that if an employee incurs a break in service prior to becoming vested in any part of his employer account, the employee's prior continuous service will not be disregarded for purposes of the Thrift Plan until the break in service equals or exceeds five successive years. Upon a participant's termination of employment for other than death, total and permanent disability or retirement, the non-vested portion of the participant's employer account is forfeited. In the event the participant is reemployed prior to incurring a break in service of five successive years, any amounts forfeited under this provision will be reinstated.

In December 2004, certain Valero employees became employees of Enterprise Products Operating L.P. (Enterprise) as a result of a sale of assets to Enterprise. On March 30, 2005, the Thrift Plan was amended to provide that those employees would be fully vested in their employer accounts.

*Investment Options*

Participants direct the investment of 100% of their employee contributions and may transfer existing account balances into any of the funds offered. The funds offered include the Valero Common Stock Fund, mutual funds, common/collective trusts, Multi-Cap Core Fund and other self-directed investments. Through August 2003, participants could invest in the Stable Value Fund, which was comprised of an investment in an investment contract and a common/collective trust. The Stable Value Fund was liquidated and the proceeds were reinvested in the Merrill Lynch Retirement Preservation Trust during 2003. Investments in the Multi-Cap Core Fund are comprised of investments in Vanguard PRIMECAP Fund (a mutual fund) and a money market security. Valero makes non-cash employer contributions of its common stock; however, participants may transfer 100% of Valero's employer contributions to any other investment option offered.

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**VALERO ENERGY CORPORATION THRIFT PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

***Withdrawals and Distributions***

Participants may make the following types of withdrawals of all or part of their respective accounts:

one withdrawal during any six-month period from a participant's after-tax employee account and rollover contribution account with no suspension of future contributions;

upon completion of five years of participation in the Thrift Plan, one withdrawal from the participant's after-tax employee account and employer account, with a similar withdrawal allowed 36 months after the date of a previous withdrawal under this provision, with no suspension of future contributions;

upon reaching age 59½, one withdrawal during any six-month period from a participant's employee account and employer account; or

upon furnishing proof of financial necessity, one withdrawal during any six-month period from the participant's employee account and the vested portion of the employer account, but, for withdrawals of before-tax amounts, not to exceed the aggregate amount of the participant's before-tax contributions.

Upon a participant's death, total and permanent disability or retirement, the participant or the beneficiary of a deceased participant is entitled to a distribution of the entire value of the participant's employee account and employer account regardless of whether or not the accounts are fully vested. Upon a participant's termination for any other reason, the participant is entitled to a distribution of only the value of the participant's employee account and the vested portion of the participant's employer account. Distributions resulting from any of these occurrences may be received in a single sum in whole shares of Valero common stock and cash, or entirely in cash. Alternatively, a participant or beneficiary may elect to receive this distribution in the form of equal monthly installments over a period not exceeding the lesser of (i) five years or (ii) the participant's life expectancy or the joint life expectancy of the participant and the participant's designated beneficiary. In addition, when the value of a distribution to a participant exceeds \$5,000, the distribution may be made prior to the participant attaining age 65 only with the participant's consent. On March 28, 2005, the Thrift Plan was amended to lower the value of a distribution to a participant that may be made, prior to the participant attaining age 65, without the participant's consent from \$5,000 to \$1,000 or such higher amount as permitted by law or regulation.

Terminated participants may elect to have the Thrift Plan trustee hold their accounts for distribution to them at a date not later than April 1 of the calendar year after which they attain age 70½. In this event, terminated participants continue to share in the income, expenses, gains and losses of the Thrift Plan until their accounts are distributed.

***Participant Loans***

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Participants may borrow, subject to certain limitations, amounts credited to their employee account and the vested portion of their employer account. The minimum loan amount is \$500. The maximum loan amount a participant may have outstanding is restricted to the lesser of:

- (a) \$50,000, reduced by the excess of (i) the highest outstanding balance of the participant's loans during a one-year period over (ii) the participant's then currently outstanding loan balance on the day any new loan is made, or
- (b) one-half of the current value of the participant's vested interest in his Thrift Plan accounts.

The term of any loan may not exceed five years unless the loan is for the purchase of a participant's principal residence, in which case the term of the loan may not exceed 15 years. The balance of the participant's employee account and vested portion of his employer account serve as security for the loan. Loans bear interest at a reasonable rate as established by the Administrative Committee, presently at

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**VALERO ENERGY CORPORATION THRIFT PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

prime plus 1%. As of December 31, 2004, interest rates on outstanding participant loans ranged from 5.0% to 11.5%. Loan repayments of principal and interest are made through payroll deductions or as otherwise determined. Participants may have two loans outstanding under the Thrift Plan at any time.

***Plan Expenses***

Administrative expenses of the Thrift Plan, including trustee fees and expenses and other costs, are paid by Valero, or at Valero's option, by the Thrift Plan. During the years ended December 31, 2004 and 2003, Valero paid administrative expenses of \$234,982 and \$208,048, respectively.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The financial statements of the Thrift Plan are prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles.

***Use of Estimates***

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates that affect the amounts of assets and changes therein reported in the financial statements and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

***Valuation of Investments***

The Thrift Plan's investments are stated at fair value. Valero common stock is valued at its quoted market price as of December 31. Shares of mutual funds are valued at the net asset value of shares held by the Thrift Plan as of December 31. The investments in common/collective trusts are stated at fair value as determined by the issuer of the fund based on the fair value of the underlying assets. Money market securities and participant loans are valued at cost, which approximates fair value.

***Income Recognition***

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The net appreciation (depreciation) in fair value of investments consists of net realized gains and losses on the sale of investments and the net unrealized appreciation (depreciation) of investments.

***Withdrawals by Participants***

Withdrawals by participants are recorded when paid.

***Risks and Uncertainties***

The Thrift Plan's investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term.

***Reclassifications***

Certain previously reported amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.



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Investments that represent 5% or more of the Thrift Plan's net assets are as follows:

|   | December 31,   |                |
|---|----------------|----------------|
|   | 2004           | 2003           |
| Valero Energy Corporation common stock      | \$ 426,484,153 | \$ 208,696,220 |
| Merrill Lynch Retirement Preservation Trust | 111,373,522    | 106,784,876    |
| Merrill Lynch Equity Index Trust *          | 41,936,953     | 39,625,654     |

\* As of December 31, 2004, this investment is less than 5% of the Thrift Plan's net assets but is shown in this schedule for comparative purposes only.

The Thrift Plan's investment in shares of Valero common stock represents 45.2% and 31.9% of total investments as of December 31, 2004 and 2003, respectively.

During the years ended December 31, 2004 and 2003, the Thrift Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

|   | Years Ended December 31, |                |
|---|--------------------------|----------------|
|   | 2004                     | 2003           |
| Common stock                                  | \$ 196,572,821           | \$ 43,649,603  |
| Mutual funds                                  | 21,758,237               | 39,383,100     |
| Common/collective trusts                      | 4,004,914                | 8,216,653      |
| Self-directed investments:                    |                          |                |
| Common stock                                  | 10,475,635               | 15,904,323     |
| Mutual funds                                  | 156,478                  | 1,062,461      |
| Preferred stock                               | (840)                    | (1,954)        |
| Net appreciation in fair value of investments | \$ 232,967,245           | \$ 108,214,186 |

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For the years ended December 31, 2004 and 2003, dividend income included \$2,563,511 and \$1,923,333, respectively, of dividends paid on Valero common stock.

### **4. Party in Interest Transactions**

Certain Thrift Plan investments are shares of Valero common stock, and common/collective trusts and mutual funds that are managed by Merrill Lynch. Transactions in these investments qualify as party in interest transactions.

### **5. Plan Termination**

Although it has not expressed any intent to do so, Valero has the right under the Thrift Plan to discontinue its contributions at any time and to terminate the Thrift Plan subject to the provisions of ERISA. In the event of any termination of the Thrift Plan or complete discontinuance of employer contributions, participants would become 100% vested in their employer accounts.

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The Internal Revenue Service has determined and informed Valero by a letter dated April 26, 2002, that the Thrift Plan is designed in accordance with applicable sections of the Code. Although the Thrift Plan has been amended since receiving the determination letter, the Administrative Committee believes that the Thrift Plan is designed and is currently being operated in compliance with the applicable requirements of the Code.

**7. Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 Annual Return/Report of Employee Benefit Plan:

|  | December 31,   |                |
|--|----------------|----------------|
|  | 2004           | 2003           |
| Net assets available for benefits per the financial statements | \$ 945,400,699 | \$ 656,410,154 |
| Amounts allocated to withdrawing participants                  | (70,893)       | (91,722)       |
| Net assets available for benefits per the Form 5500            | \$ 945,329,806 | \$ 656,318,432 |

The following is a reconciliation of withdrawals by participants per the financial statements to the Form 5500 Annual Return/Report of Employee Benefit Plan:

|   | Years Ended December 31, |               |
|---|--------------------------|---------------|
|   | 2004                     | 2003          |
| Withdrawals by participants per the financial statements                    | \$ 43,853,959            | \$ 31,983,836 |
| Add: Amounts allocated to withdrawing participants as of end of year        | 70,893                   | 91,722        |
| Less: Amounts allocated to withdrawing participants as of beginning of year | (91,722)                 | (176,100)     |
| Benefits paid to participants per the Form 5500                             | \$ 43,833,130            | \$ 31,899,458 |



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**8. Subsequent Events**

On November 1, 2004, Valero L.P. announced a proposed merger in which Valero L.P. will acquire Kaneb Services LLC and Kaneb Pipe Line Partners, L.P. (Kaneb). The merger is expected to close on July 1, 2005. Valero's total ownership interest in Valero L.P. is anticipated to be reduced to approximately 23% as a result of the merger. Kaneb employees, including both union and nonunion personnel, will become employees of Valero. With the exception of Kaneb employees associated with assets required to be divested pursuant to a consent decree issued by the Federal Trade Commission, all nonunion Kaneb employees and certain union Kaneb employees will become eligible to participate in the Thrift Plan effective on the date of the closing of the merger.

On April 25, 2005, Valero announced a proposed merger of Premcor Inc. (Premcor) into Valero. The boards of directors of Valero and Premcor have approved the terms of the proposed transaction. The completion of the merger is subject to the approval of Premcor's shareholders as well as regulatory approvals. The transaction is expected to close by December 31, 2005. The determination of the effect of this proposed merger on the Thrift Plan is pending the receipt of the necessary approvals to complete the merger.

On May 31, 2005, Valero sold the stock of Colorado Refining Company, an indirect wholly owned subsidiary of Valero, to Suncor Energy Inc. (Suncor). The principal assets of Colorado Refining Company were Valero's 30,000 barrel-per-day refinery near Denver, Colorado and a products terminal in Colorado. As a result of this sale, approximately 140 employees at these facilities became employees of Suncor. Those employees who were participants in the Thrift Plan will become fully vested in their employer accounts and will have various options related to their account balances, including retention in the Thrift Plan, a distribution from the Thrift Plan, or a rollover to a Suncor 401(k) plan or an individual retirement account.

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EIN: 74-1828067

Plan No. 002

**Schedule H, Line 4i Schedule of Assets (Held at End of Year)**

As of December 31, 2004

| <b>Identity of Issue/Description of Investment</b>              | <b>Current Value</b>         |
|---|------------------------------|
| <b>Common stock:</b>  |                              |
| * Valero Energy Corporation                                     | \$ 426,484,153               |
| <b>Mutual funds:</b>  |                              |
| The Oakmark Equity and Income Fund                              | 38,438,840                   |
| Fidelity Magellan Fund  | 32,591,384                   |
| Vanguard PRIMECAP Fund  | 42,104,633                   |
| American Century Ultra Fund                                     | 30,536,595                   |
| * Merrill Lynch Basic Value Fund                                | 30,062,901                   |
| American Funds EuroPacific Growth Fund                          | 26,488,145                   |
| MFS Massachusetts Investors Growth Stock Fund                   | 14,552,428                   |
| * Merrill Lynch Bond Fund Intermediate Term                     | 14,282,631                   |
| * Merrill Lynch Global Allocation Fund, Inc.                    | 17,153,013                   |
| Templeton Foreign Fund  | 8,864,059                    |
| AIM Income Fund   | 4,357,019                    |
|   | <u>259,431,648</u>           |
| <b>Common/collective trusts:</b>                                |                              |
| * Merrill Lynch Retirement Preservation Trust                   | 111,373,522                  |
| * Merrill Lynch Equity Index Trust                              | 41,936,953                   |
|   | <u>153,310,475</u>           |
| <b>Self-directed investments</b>                                | 71,414,467                   |
| * Participant loans (interest rates ranging from 5.0% to 11.5%) | 32,861,343                   |
| <b>Money market security:</b>                                   |                              |
| * Merrill Lynch Retirement Reserves                             | 429,079                      |
| <b>Total</b>  | <b><u>\$ 943,931,165</u></b> |

\* Party in interest to the Thrift Plan.

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See accompanying report of independent registered public accounting firm.

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**SIGNATURE**

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

**VALERO ENERGY CORPORATION THRIFT PLAN**

By /s/ Keith D. Booke

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Keith D. Booke  
Chairman of the Administrative Committee and  
Executive Vice President and Chief Administrative Officer,  
Valero Energy Corporation

Date: June 28, 2005