WORKING CAPITAL FUND

FY 2004 Second Quarter Report: Summary

I. Relation of Earnings to Expenses

- Each business is expected to achieve a balance between annual 'earnings' (billings to customers pursuant to Board-approved pricing policies) and 'expenses' (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type costs). Quarterly analyses are intended primarily to identify emerging annual issues that may warrant changes in Board pricing policies.

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FY 2004 Second Quarter Cumulative Business Results (in Millions)

TABLE I			
Business Line	**Second Quarter Earnings**	**Second Quarter Business Expenses**	**Second Quarter Net**
Supplies	$1.4	$1.4	$0.0
Mail	$1.2	$1.0	$0.2
Copying	$1.0	$1.2	-$0.2
Printing/Graphics	$1.5	$1.5	$0.0
Building Occupancy	$31.1	$31.5	-$0.4
Telephones	$3.8	$3.4	$0.4
Desktop	$0.5	$0.5	$0.0
Network	$3.0	$2.6	$0.4
Procurement Services	$0.3	$0.4	-$0.1
Payroll Processing	$1.1	$0.9	$0.2
CHRIS	$1.1	$0.9	$0.2
Corp Training Services	$0.2	$0.2	$0.0
PMCDP	$1.2	$0.4	$0.8
TOTAL [1]	**$47.4**	**$46.1**	**$1.5**

The Fund earned $1.5 million (3.4%) on $47.4 M in earnings through the second quarter of FY 2004. Specific differences in excess of $50,000 are as follows:

- The Mail Business Line had cumulative net earnings of $204,511, resulting from reduced contractual costs for mail distribution and deferred spending on the purchase of security equipment.

- The Copy Business Line had cumulative net earnings of -$219,775 in the Second

1/ When converting from whole dollars to tens of millions total amounts do not always add due to rounding.

Quarter, resulting from declining use of central copiers and extraordinary expenses related to equipment. This situation has been reported for several quarters and the business plans on acquiring new equipment in August 2004 that will allow it to break even. In the meantime the business is using its cash reserves to remain solvent and no price increases are being sought at this time.

- The Building Business Line had cumulative net earnings of -$407,887 in the Second Quarter that are the result of spending for building capital improvements that were earned in prior fiscal years.

- The Telephone Business Line had cumulative net earnings of $475,645 in the Second Quarter that result from a prior year cost adjustment to phone rates.

- The Network Business Line had cumulative net earnings of $385,392 in the Second Quarter that result from DOEnet cost savings and a prior year cost adjustment.

- Procurement Services Business Line had cumulative net earnings of -$123,677 in the Second Quarter that result from making more costly closeouts a priority. This loss will be eliminated in the second half when less costly instruments are closed out.

- The Payroll Business Line had cumulative net earnings of $172,231 in the Second Quarter that result from one-time DFAS cost savings.

- The CHRIS Business Line had cumulative net earnings of $192,500 in the Second Quarter that result from deferred equipment purchases.

- The PMCDP Business Line had cumulative net earnings of $829,014 in the Second Quarter that result from the continuing resolution and its impact on the start-up of this new business. We expect activity to accelerate in the third quarter.

Both earnings and expenses reported above have been adjusted from the DISCAS accounting to present the Fund's net earnings with the most accurate and latest information. In the case of Mail, Payroll CHRIS, Corporate Training Services, and PMCDP earnings have been adjusted down to reflect annual collections that should be reported in 25% increments each quarter. Telephone results have been adjusted to offset the reverse billing for August/September usage billed in October/November. Costs for Telephone have been adjusted down $200 k for excess accruals. Costs for Network have been adjusted up $75 k for missing accruals.

These adjustments seem justified during interim reporting in the fiscal year, because our emphasis is on providing the Board with the most accurate reporting and estimates of annual performance. At year-end, we rely on DISCAS data alone for the Annual Report.

II. Relation of Customer Payments to Anticipated Customer Billings

- Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund. The length of the continuing resolution affected collections to-date in FY 2004.

- By March, we had collected $85.1 million (88%) of the estimated $96.8 million in FY 2004 annual revenues (Table II). The Fund Manager has been working with both the business lines and customer organizations to accommodate the effects of the delay in enacting full year appropriations for FY 2004.

WORKING CAPITAL FUND			
FY 2004 Second Quarter Business Results (in Millions)			
TABLE II			
Business Line	**Advances as of Second Quarter** [2]	**Anticipated Full Year**	**% Collected**
Supplies	$ 2.2	$2.8	79%
Mail	$ 2.4	$2.6	92%
Copying	$ 1.8	$2.0	90%
Printing/Graphics	$ 3.0	$3.1	97%
Building Occupancy	$ 53.6	$62.5	86%
Telephones	$ 6.8	$8.2	83%
Desktop	$ 1.3	$1.0	130%
Network	$ 5.1	$5.9	86%
Procurement Services	$ 1.2	$1.3	92%
Payroll Processing	$ 2.2	$2.1	105%
Chris	$ 2.1	$2.2	95%
Corp Training	$ 0.8	$0.6	133%
PMCDP	$ 2.5	$2.5	100%
TOTAL	**$ 85.1**	**$ 96.8**	88%

2 Customer advances include prior year customer advances. (see Table III).

III. Relation of Payments to Obligations by Business Line

- There have been no violations of administrative control of funds procedures by WCF business lines.

- As shown in Table III, funds available exceeded obligations by an estimated $35.8million by the end of the Second Quarter.

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FY 2004 Second Quarter Business Results (in Millions)

TABLE III

Business Line	**Unobligated Balance [3] 10/02**	**Current Year Customer Advances**	**Total available for obligation**	**Second Quarter Obligations**	**Advances Remaining to be Obligated**
Supplies	$0.4	$1.8	$ 2.2	$0.0	$2.2
Mail	$0.4	$2.0	$ 2.4	$1.2	$1.2
Copying	$0.2	$1.6	$ 1.8	$1.8	$0.0
Printing/Graphics	$0.6	$2.4	$ 3.0	$1.9	$1.1
Building Occupancy	$10.2	$43.4	$ 53.6	$33.1	$20.5
Telephones	$0.8	$6.0	$ 6.8	$3.1	$3.7
Desktop	$0.7	$0.6	$ 1.3	$0.6	$0.7
Network	$0.6	$4.5	$ 5.1	$4.1	$1.0
Procurement Services	$0.3	$0.9	$ 1.2	$0.3	$0.9
Payroll Processing	$0.2	$2.0	$ 2.2	$0.5	$1.7
Chris	$0.2	$1.9	$ 2.1	$1.3	$0.8
Corp Training Services	$0.1	$0.7	$ 0.8	$0.4	$0.4
PMCDP	$0.0	$2.5	$ 2.5	$0.9	$1.6
TOTAL	**$14.8**	**$70.3**	**$ 85.1**	**$49.2**	**$35.8**

3 The unobligated balances are made up of earned and unearned customer advances from the prior fiscal year. These funds often act as working capital during the early weeks of a new fiscal year. Unearned balances of $10.3 million represent a liability of the fund and like other unearned customer advances, are uncommitted and can be returned to the customer at their request. There are also $0.4 million of unearned advances, which are not allocated to businesses.

IV. Changes in Budget Estimates by Business Line and Customer

- The $4.0 million increase in the December 2003 estimate for FY 2004 was the result of adding new business segments to the Telephone business line ($1.7 million) and responding to Congressional report language that added the Project Managers Career Development Program ($2.5 million), offset by reduced copy requirements (-$0.3 million). Otherwise the FY 2004 billing estimates are closely aligned with prior estimates.

FY 2004 Budget Estimates for WCF Businesses

Date	Process	FY 2004 Billing Estimate ($Millions)
May 2002	FY 2004 Corporate Review	$93.7
December 2002	FY 2004 Congressional Budget	$94.3
May 2003	FY 2005 Corporate Review	$92.7
December 2003	FY 2005 Congressional Budget	$96.7
March 2004	March WCF Billing Statement	$96.4

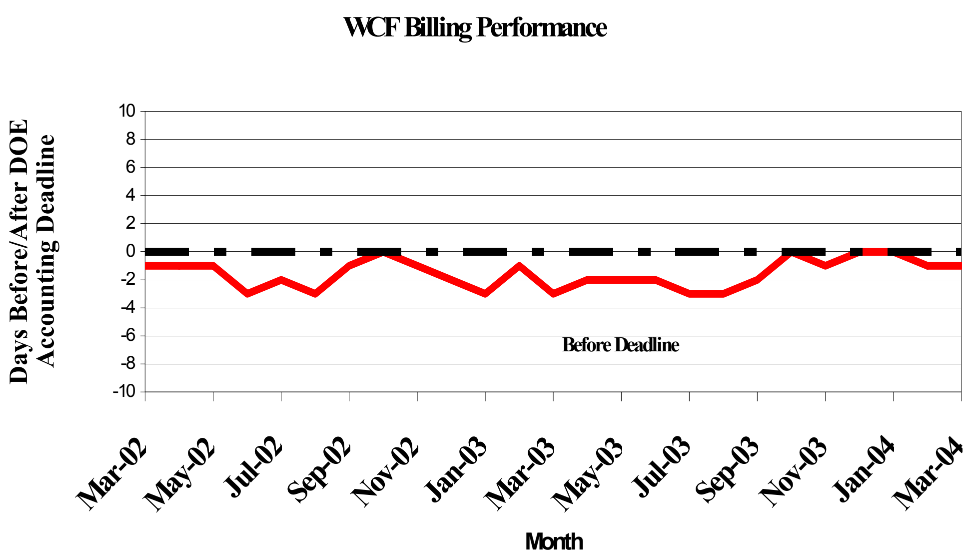
V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

- The Fund Manager foresees no immediate need to change pricing policies in any businesses. However, the Network business is analyzing, with the advice of the WCF IT Working Group, the need to increase rates in FY 2006 to accommodate capital requirements

VI. Financial Management Systems Progress
Working Capital Fund Billing System

- The WCF billing system continued to successfully produce timely and accurate monthly bills. The chart below indicates the billing performance related to transferring customer-billing information to DISCAS by the third working day of the month (down from fifth working day last year). This allows the Fund staff, with the cooperation of CFO officials, to have the billings entered into DISCAS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in DISCAS in the same month they occur. The time between the end of the month and the issuance of the bill is extremely consistent. Process improvements that would result in timesaving are no longer meaningful.

- The Fund Manager recently completed upgrading the billing system to automate and enhance customer reporting. It is our assessment that the system is stable and has the flexibility to accept changes as needed. We intend to solicit ideas from our customer and business working groups for the next generation of enhancements. The complete assessment can be located on our web site at www.ma.mbe.doe.gov/wcf under Billing System Assessment.



VII. Performance Review

- Business Lines report that they are accomplishing goals and performance objectives for FY 2004 consistent with annual projections in recent five-year plans. We have every expectation to meet performance standards at the end of FY 2004.