



The Deputy Secretary of Energy
Washington, DC 20585

March 5, 2013

The Honorable Jay Inslee
Governor, State of Washington
P.O. Box 40002
Olympia, WA 98504-0002

Dear Governor Inslee:

As you are likely aware, due to the failure of Congress to reach a deal on balanced deficit reduction to avoid sequestration, on March 1, 2013, the President was required by law to issue a sequestration order canceling approximately \$85 billion in budgetary resources across the Federal Government for the remainder of the Federal fiscal year. We want to provide you, as a partner with the Department of Energy, with timely and clear information about how these unfortunate budget cuts impact us, and in turn what they mean for jobs in and funds provided to Washington State.

As a result of sequestration, the Department's overall budget has been reduced by nearly \$1.9 billion for the remainder of the fiscal year. For the State of Washington, the Department's current preliminary analysis is that the impacts will include the following:

- Direct reductions to the Department's contractors in Washington are estimated at \$182 million.
- As a result of this decrease in funding, we understand that contractors may be forced to furlough or lay off up to 4,800 employees in Washington, beginning as early as April 1, 2013.
- Certain impacts to the Department's subcontractors in Washington may be significant, but many are not included in this estimate.
- The Department is reallocating money from long-term efforts to limit sequestration's near-term impact. The impact of prolonged or permanent sequestration, then, would be greater than described here.
- An example of a particular estimated sequestration impact is that Department estimates that it will be required to decrease funding for contractors at the Richland site by approximately \$79 million, which the Department understands may result in furloughs or layoffs of more than 1,900 contractor employees.



- In addition, we estimate that the Department will be required to decrease funding for the contractor that operates the Office of River Protection by approximately \$92 million, which the Department understands may result in furloughs or layoffs of more than 2,800 contractor employees. While the Department remains committed to its clean-up effort at Hanford, this decreased funding and the resulting contractor employment actions may curtail our progress related to closing the aging – and in some cases leaking – single-shell tanks storing over 25 million gallons of liquid radioactive waste at the Hanford site

While these reductions are unfortunate and will be damaging, the Department is doing everything within its power to protect our mission to the greatest extent possible. Accordingly, we are prepared to work to manage these reductions to the extent that we can. Please be aware that this preliminary analysis may change as we seek to manage reductions across the Department's complex. And should Congress take subsequent action that changes the level or nature of these reductions, we are committed to working to manage those changes.

Thank you for your continued partnership with the Department of Energy, and for your cooperation as we work together to manage these unfortunate circumstances.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Daniel B. Poneman". The signature is fluid and cursive, with a large, stylized initial "D" and "P".

Daniel B. Poneman