Hi Jeannie,

Happy to add some thoughts to the discussion you are having internally. Our thinking is that, similar to the adoption of the *Tangible Capital Assets* standard in 2009, the adoption of *Asset Retirement Obligations* will potentially be a large undertaking, especially for an organization the size of the Regional District with significant tangible capital assets. While it would be difficult to estimate the time involved, we can break it down into the various pieces of work that would be required:

1. **Inventory of asset retirement obligations** – this would involve reviewing all tangible capital assets owned/controlled by the Regional District and ascertaining whether there is an ARO for each asset. Some time saving measures would include scoping out specific asset types (gasoline vehicles for example, as we would not expect there to be an associated ARO), and grouping assets into categories that may have similar ARO characteristics (i.e., they fall under the same legislation);

2. **Contract and legislation review** – to determine timing of the ARO, as some AROs would be recognized on day 1 of purchasing/completing a capital asset, whereas for others the liability may be recognized over time or at a future point in time. In addition, some leased assets may have AROs attached, and a review of leases would be required.

3. **Estimating the liabilities** – once the AROs have been identified, estimates will need to be made of the amount of liability to record. This involves determining future costs of remediation and timing of cashflows. External expertise may be required in this step to determine reasonable estimates for retirement costs (i.e., engineer estimates).

4. **Ongoing** – after the initial measurement and recording of the ARO liabilities, in each subsequent year-end, steps 1-3 would be repeated, looking for:
   a. Purchased/constructed/leased assets with new AROs attached;
   b. Revisiting the estimates and assumptions for each existing ARO - did the cost estimate change? Did the timing of cash flows change? Changes to discount rates and inflation rates?

I hope that helps,

Cory