CORPORATE ACCOUNTING POLICY
Asset Retirement Obligations

Abstract

The following provides a policy associated with PS 3280 Asset Retirement Obligations. This document does not intend to replace the Public Sector Accounting Board (PSAB) Handbook or impede any application of professional judgment when applying Public Sector Accounting Standards (PSAS).

Guiding Principle

1. Public Sector Accounting Board: *PS 3280 Asset Retirement Obligations*

Application

2. Applies to government departments and entities (including agencies, boards, and commissions) reporting under PSAS in the government reporting entity of the Province of Alberta.

3. PS 3280 is effective for fiscal years beginning on or after April 1, 2022.

4. Implementation of PS 3280 will be applied under the modified retroactive approach with restatement of prior year comparatives. The information presented for comparative purposes should be restated unless the necessary financial data are not reasonably determinable.

5. Departments and entities may have previously recognized liabilities under *PS 3260 Liability for Contaminated Sites* or *PS 3270 Solid Waste Landfill Closure and Post-Closure Liability* (standard withdrawn when PS 3280 comes into effect). Those liabilities should be assessed under PS 3280 to determine if they are:

    a. Instead asset retirement obligations; or

    b. If in addition to contamination liabilities under PS 3260 or liabilities under the former PS 3270, there are asset retirement obligations to be recorded.

6. The overlap in scope between PS 3260 and PS 3280 may add complexities.

    a. <u>Example:</u> Under PS 3260, an entity may already be recording a liability for a sewage treatment facility relating to contamination arising from spillage and chemicals used in the treatment process. If the entity determines that it is required under environmental regulations or contract to dismantle and remove that facility at the end of its useful life, then it would also have to record an asset retirement obligation under PS 3280.

7. If the liabilities do not fall under either PS 3260 or PS 3280, assessment is to be performed to determine if the liabilities are to be recognized or disclosed under *PS 3200 Liabilities, PS 3300 Contingent Liabilities, or PS 3390 Contractual Obligations.* Please also refer to *"Corporate Accounting Policy – Environmental Liabilities"* for further details and recognition criteria.

8. PS 3280 defines which asset retirement activities would be included in the cost of a tangible capital asset. *PS 3150 Tangible Capital Assets* should be referred to in conjunction with this standard.

9. The application of PS 3280 requires professional judgement and allows some flexibility that is acceptable within the standard. The consistent application across the government reporting entity yields information on costs associated with owning and operating tangible capital assets for key decision-making.

Budgetary Considerations

10. Changes to the liability from year to year for subsequent measurement (i.e. accretion expense, amortization of ARO cost, revised estimates, etc.) will have to be considered as part of the budget process and reflected in the budget documents. The same applies to amortization on asset retirement costs. These adjustments do not require a supply vote, an appropriation act, or any other statutory authority due to the non-cash nature of the expense (similar to “valuation adjustments”).

11. Site assessments, reclamation, and remediation work that requires cash disbursements will require a supply vote pursuant to an appropriation act or other statutory authority. These costs should be considered in the normal course of budgetary discussions.

12. Impact of asset retirement costs on capital projects (i.e. upon acquisition, development, or carrying costs incurred) should be considered for business decisions.

Definitions

13. <u>Accretion expense:</u> increase in the carrying amount of a liability due to the passage of time.

    a. Accretion expense would only be recorded for obligations valued using the present value technique.

14. <u>Asset retirement activities:</u> include all activities relating to an asset retirement obligation. These may include, but are not limited to:

    a. decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;

    b. remediation (clean up) of contamination of a tangible capital asset created by its normal use;

    c. post-retirement activities such as monitoring; and

    d. constructing other tangible capital assets to perform post-retirement activities.

15. <u>Asset retirement cost:</u> the estimated amount required to retire a tangible capital asset.

16. <u>Asset retirement obligation:</u> a legal obligation associated with the retirement of a tangible capital asset. In other words, to record a liability for costs required to retire an asset at its end of life or term of use.

17. Promissory estoppel: the principle that a promise made without consideration may nonetheless be enforced to prevent injustice if the promisor should have reasonably expected the promisee to rely on the promise and the promisee did actually rely on the promise to his or her detriment.

18. Retirement of a tangible capital asset: the permanent removal of a tangible capital asset from service.

    a. This includes sale, abandonment, or disposal but not temporary idling.

Scope

19. PS 3280 does not include all retirement obligations, but only those that are legal obligations. This includes legal obligations under the concept of promissory estoppel, which is a promise that would be considered legally enforceable.

    a. As only legally enforceable obligations are in scope, this means that constructive or equitable obligations are out of scope of this standard. Other standards, such as *PS 3200 Liabilities, PS 3300 Contingent Liabilities, or PS 3390 Contractual Obligations* should be assessed for obligations to retire a tangible capital asset that are not legally enforceable.

20. Tangible capital assets that need to be considered under this standard are all those controlled by the entity.

21. The scope of the standard includes:

    a. Tangible capital assets in productive use (including fully amortized and leased tangible capital assets);

    b. Unrecognized tangible capital assets (less than the capitalization threshold or inherited crown land); and

    c. Tangible capital assets no longer in productive use.

22. Please refer to **Schedule A** for a list of examples of tangible capital asset types and possible asset retirement obligations.

23. The scope of the standard excludes:

    a. retirement obligations that are not legal obligations;

    b. costs related to remediation of contaminated sites, which are covered in PS 3260;

    c. costs related to the improper use of a tangible capital asset;

    d. costs related to activities necessary to prepare a tangible capital asset for an alternative use;

    e. costs resulting from an unexpected event such as an unexpected contamination or catastrophic events (i.e. a flood);

f. costs related to obligations created by waste or by-products produced by a tangible capital asset (i.e. sewage waste);

g. costs that arise solely from a plan to sell or otherwise dispose of a tangible capital asset (i.e. a building is removed in connection with selling a parcel of land and it is otherwise not obligated to remove the building);

h. impairment of tangible capital assets, which is covered in PS 3150; and

i. routine replacement of tangible capital assets (i.e. roads, sewer systems and bridges are normally not permanently removed from service/retired).

24. To ensure completeness, a complete inventory of all active and inactive tangible capital assets should be assessed. Also, data should be reviewed where assets were originally expensed on purchase.

Recognition

<u>Overview</u>

25. A tangible capital asset may have reclamation obligations that need to be considered as part of asset retirement costs. Reclamation activities, such as restoring land to a certain condition can be part of an asset retirement obligation if a legal obligation exists.

    a. <u>Examples of reclamation activities:</u> removal of equipment, buildings, other structures, or appurtenances; the decontamination of buildings, other structures, appurtenances, land, or water; the stabilization, contouring, maintenance, conditioning, or reconstruction of the surface of land; a permit requirement to reclaim land on which water lagoons for a waterworks system are located.

26. The threshold to determine whether an asset retirement obligation is to be recorded will be based on the significance to the department, entity, or consolidated level. This will require professional judgment.

27. Asset retirement obligations should be evaluated on an individual basis for large or unique tangible capital assets where information is available. For small, homogenous tangible capital assets, the asset retirement obligation may be aggregated for the group and assessed for significance.

28. Asset retirement obligations should be allocated on the same basis as the asset. If componentization is used, the obligation and timing of settlement of a retirement obligation should be consistent with the underlying component.

29. For fully amortized tangible capital assets that are still in productive use, the asset retirement obligation would be added to the asset's historical cost base and expensed over the revised estimate of the asset's remaining useful life.

    a. <u>Example:</u> a fully amortized school that is still in use and contains asbestos.

30. For unrecognized tangible capital assets, the asset retirement obligation will be expensed. There is no cost basis to which the asset retirement costs can be attached and asset retirement costs are not a separate asset by themselves, since there is no separate economic benefit resulting from them. Thus, these costs would be expensed immediately.

    a. Example: tangible capital assets below the capitalization threshold that were expensed when purchased or inherited crown land.

31. For assets no longer in productive use, the asset retirement obligation will be expensed. There is no longer any period of future benefit associated with the asset retirement costs, and as a result, the costs would be expensed immediately.

Criteria

32. An asset retirement obligation should be recognized when, as at the financial statement date, all of the following criteria are met:

    a. There is a legal obligation to incur retirement costs;

    b. The past transaction or event giving rise to the liability has occurred;

    c. It is expected that future economic benefits will be given up; and

    d. A reasonable estimate of the amount can be made.

Legal obligation

33. Legal obligations can result from legislation, regulations, agreements, contracts, or a promise made under the concept of promissory estoppel.

34. Amendment of legislation, regulations, agreements or contracts may change over time and should be evaluated at each financial statement date.

    a. Example of legislation/regulation: Provincial governments may set legislation or regulations to manage hazardous materials (i.e. through Occupational Health and Safety Code), or that landfill operators must agree to prior to receiving environmental approval.

    b. Example of an agreement or contract: license governing the operation of a waste treatment facility, or a lease dictating termination requirements.

    c. Example of a promissory estoppel: a third party may purchase a property near a gravel pit relying on the promise of the entity to decommission the pit at the end of its productive life.

35. Please refer to **Schedule B** for a list of examples of sources of legal obligations.

Past transaction or event

36. A past transaction or event includes acquisition, construction, development, or normal use of a tangible capital asset. The existence of the legal obligation is not the “event” that creates the liability.

    a. Example: when an entity acquires an X-ray machine, the obligation to retire it in prescribed manners results from the acquisition of the equipment.

    b. Example: when a public sector entity acquires a building that contains asbestos, although timing of the asbestos removal is conditional on the building undergoing renovations or being demolished, existing regulations create a legally enforceable obligation for the entity to remove and dispose of the asbestos upon acquisition.

37. Obligations may result from an assets normal use, which is normally predictable, likely to occur, and unavoidable. Normal use does not include improper use, accidents, or unexpected events.

    a. Example: there may be an obligation to close a landfill site under environmental regulations when the landfill is put to use.

38. If there is new legislation that imposes an obligation on an existing asset, the asset retirement obligation will be recorded when the new legislation is effective. The obligation is not recorded as a prior period adjustment, since the change results from a current period event. New legislation is only taken into consideration when enacted.

39. Changes in legislation may impact the amount of consideration expected to be given up and will require reconsideration of the retirement obligation. Changes in legislation would be recognized in the fiscal year that the new legislation is effective, as that is when the legal obligation to retire under the new requirements exists.

Future economic benefits

40. The timing of funding to settle an asset retirement obligation may impact the measurement of the obligation, but does not relieve the entity of the obligation, as the past transaction or event has already occurred.

Reasonable estimate

41. Reasonable estimates are management’s best estimate supplemented by experience, prior examples, third-party appraisals, industry standards, or independent experts.

    a. Examples: internal finance, public works, or asset management staff with adequate knowledge and expertise; or internal and external experts such as property and site valuators, engineers, or legal counsel.

Hazardous Materials (Including Asbestos)

42. When an entity acquires a building containing hazardous materials, existing regulations require the entity to handle and dispose of them in a prescribed manner when the building undergoes renovations, is demolished, or is in some other manner retired.

43. Obligations associated with hazardous materials removal arise at the time of acquisition, construction, or development of a tangible capital asset containing these materials, and not on its disturbance.

44. This means that buildings built before the mid-1990s will likely have an asset retirement obligation. Departments and entities may have information on the existence of hazardous materials through health and safety records or environmental engineering reports. Finding sufficient data points, such as prior experience, expert reports, quotes, or data on comparable properties will be critical for measurement of the cost to remove the materials.

45. The ability to defer settlement does not relieve the entity of the obligation, since the materials will eventually need to be removed and disposed of because the tangible capital asset has a finite life. Even if the tangible capital asset containing the hazardous materials were sold, the price would reflect the retirement obligation.

Measurement

Overview

46. Asset retirement obligations are to be measured as of the date the legal obligation was incurred and re-evaluated each year.

47. Consistent information across similar asset retirements should be evaluated.

48. In certain cases, there may be an indeterminate settlement date for the asset retirement obligation. For example, a public sector entity may be uncertain when the cash flows associated with an asset retirement obligation will occur. Uncertainty about the timing and amount of settlement of the asset retirement obligation does not remove that obligation but will affect the measurement of the liability. Management's best estimate is still required to record the obligation.

49. Uncertainties affecting the measurement of a liability for an asset retirement obligation may be subject to disclosure requirements under *PS 2130 Measurement Uncertainty.* Measurement uncertainty can encompass both the amount of consideration to be given up and the timing as to when the consideration would be given up.

50. If new information (i.e. amounts, timing, impact of changes of technology, input rates, etc.) arises after the financial statement date but before the date of their completion, consider the impact under *PS 2400 Subsequent Events.*

51. Professional judgment is to be applied when performing assessments.

<u>Initial Measurement</u>

52. On initial adoption, the asset retirement obligation is measured as of the date the legal obligation was incurred. However, for practicality reasons, discount rate and assumptions used are as at the beginning of the year that the entity adopts PS 3280 (i.e. April 1, 2022 for March 31, 2023 yearend), instead of the discount rate and assumptions as of the date the liability was incurred.

53. A liability for an asset retirement obligation should be estimated based on information available at the financial statement date. This is the best estimate based on professional judgment, previous experience, third party quotes, the use of experts, and the expected technology to be used in asset retirement activities.

54. The estimate of a liability should include costs directly attributable to asset retirement activities. Retirement costs include costs directly attributable to the retirement obligation. These costs can include assessments to determine the amount and timing of the retirement obligations, staffing and overhead costs, and other costs that are consistent with the *"Corporate Accounting Policy – Tangible Capital Assets"*. Costs would also include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset. The estimate would include costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use. Only that portion of the asset used for retirement activities would be included in the estimate of the liability.

    a. <u>Examples of directly attributable costs include</u>: internal and external costs such as payroll and benefits, equipment and facilities, materials, legal and other professional fees, and overhead costs directly attributable to the asset retirement activity.

55. PS 3280 does not include prescriptive guidance on the appropriate technique to use to measure the liability. As a result, professional judgment will be required to determine the measurement technique that is most appropriate in each circumstance. For instance, an entity may apply the present value technique to estimate the liability of some assets on their books and apply the cost method for other assets.

56. When the cash flows required to settle the liability will occur over extended future periods and information is available to perform the valuation, a present value technique is often the best method to use in estimating the liability.

57. If applying the present value technique, a key input factor is the discount rate. The discount rate used should reflect the time value of money and the risks specific to the liability, for which future cash flow estimates have not been adjusted. The assumptions applied in the cash flows and the discount rate should be internally consistent.
    a. <u>Examples of discount rates:</u> The rate of borrowing for the time period over which the consideration will be given up is often a reasonable discount rate to use (i.e. the Province's rate of borrowing or other interest rates applicable to funds to be used to settle obligation).

<u>Subsequent Measurement</u>

58. The carrying amount of the liability should be reassessed at each financial reporting date. This includes taking into account new information and the appropriateness of assumptions used (i.e. timing, amount of original estimate of undiscounted cash flow, discount rate, escalation rate, inflation rate, etc.).

59. The revised carrying amount of the related tangible capital asset should be amortized in a rational and systematic manner on a go-forward basis.

60. Period-to-period changes for tangible capital assets in productive use related to revisions in assumptions are recognized as part of the cost of the related tangible capital asset and subsequently amortized in a rational and systematic manner.

61. Period-to-period changes for tangible capital assets no longer in productive use related to revisions in assumptions are expensed in the period incurred.

62. Period-to-period changes in a liability resulting from the passage of time should be recognized as an accretion expense.

63. The liability for an asset retirement obligation must continue to be recognized until it is settled or otherwise extinguished.

Recoveries

64. Recoveries of asset retirement obligations may result when the department or entity is able to recover asset retirement costs from a third party.

65. Recoveries related to asset retirement obligations should not be netted against the liability, and should only be recognized when:

    a. The recovery can be appropriately measured;

    b. A reasonable estimate of the amount can be made; and

    c. It is expected that future economic benefits will be obtained.

66. *PS 3210 Assets and PS 3320 Contingent Assets* should be assessed when determining the treatment for recoveries.

Transfers and Sales of Tangible Capital Assets

67. When tangible capital assets are transferred, sold, or donated, the asset retirement obligation should be transferred with the base asset unless there are reasons the obligations should remain with the transferring entity (i.e. legal, contract.)

68. Legal advice may need to be consulted to review relevant legislation or contracts to determine if there are implications where the asset retirement obligation may revert back to the transferor (i.e. if the transferee becomes not viable).

69. When tangible capital assets are disposed of, destroyed, written off, or declared surplus, any relating asset retirement obligation should be assessed to determine timing of settlement. This may change the measurement of the obligation and may have a budgetary impact for required funding.

70. When tangible capital assets have betterments performed, the changes should be evaluated to determine if there are impact to existing asset retirement obligations or creation of new asset retirement obligations.

Information and Communication Technology Systems

71. Systems should include a method to track or associate the recorded asset retirement obligation with the relevant tangible capital asset.

    a. Example: The system can be set up where the asset retirement obligation could use the same asset ID as the tangible capital asset, but with a suffix of "01". For instance, if the tangible capital asset has an asset number of "234567", the asset retirement obligation could be coded as "234567 01".

Presentation and Disclosure

72. The Office of the Controller will include sample asset retirement obligation note disclosures (i.e. significant accounting policy and presentation) in the ministry templates for consolidation and available Model Financial Statements.

73. To assist financial statement users in understanding the asset retirement obligation, certain information would be disclosed in the notes if available and useful, including:

    a. a general description of the liability for an asset retirement obligation and the associated tangible capital asset (or a component thereof);

    b. the amortization method used for the asset retirement costs;

    c. the basis for the estimate of the liability (including the estimated total undiscounted expenditures, the time period over which the undiscounted expenditures are to be incurred, the estimated timing of settlement of these expenditures and the discount rate used);

    d. a reconciliation of the beginning and ending aggregate carrying amount of the liability showing separately the changes attributable to

        i. the liability incurred in the current period;

        ii. the liability settled in the current period;

        iii. the change resulting from the passage of time (i.e., accretion expense); and

        iv. revisions in estimated cash flows;

    e. how any requirements for financial assurance and funding associated with asset retirement obligations (if legally required) are being met; and

    f. any estimated recoveries.

74. In the rare case where an entity is not able to make a reasonable estimate of the liability, this fact and the reasons why must be disclosed.

Retention of Records

75. Ministries should have appropriate authorizations, processes, and supporting documentation as it relates to any assessment made under this policy.

76. Asset retirement obligation costs capitalized should be readily and separately identifiable as part of the public sector entity's asset module or other accounting records.

Contact

77. For questions regarding this policy, please contact your ministry representative at the Office of the Controller.

Schedule A
Examples of Asset Retirement Obligations

The following table lists examples of tangible capital asset categories and possible associated asset retirement obligations. This is not an exhaustive list and only includes limited examples. Asset retirement obligations will need to be assessed for all tangible capital assets in your department/entity taking into account the policy requirements and professional judgment.

Tangible Capital Asset Category	Examples of Asset Retirement Obligations
Land and Land Improvements	• Closure and post-closure obligations for landfills, or gravel pits at the end of their useful lives. • Removal of sewage holding tanks.
Buildings and Building Improvements	• Obligation to remove hazardous materials, such as asbestos, lead, and mercury. • Obligation to return leased space back to its original condition. • Closure and post-closure obligations for wastewater treatment plants.
Equipment	• Removal of radiologically contaminated lab or medical equipment, such as x-ray or MRI machines. • Contract to dismantle and remove radio tower infrastructure upon retirement. • Removal of fuel holding tanks. • Destroying firearms when retired from use • Removal of appliances, control/measuring, safety/sanitation, scientific, shop/maintenance, and research equipment
Computer Hardware and Software	• Disposal of electronic equipment scrap metal

Schedule B
Examples of Sources of Legal Obligations

The following table lists examples of tangible capital asset categories and sources of legal obligation. This is not an exhaustive list and only includes limited examples. Legal sources of obligations will need to be assessed for your department/entity.

Asset Retirement Obligation Types	**Source of Legal Obligation** (Legislation, Regulation, Agreement or Contract)
Hazardous building materials (i.e. asbestos, mercury, lead, etc.)	• Alberta Asbestos Abatement Manual • Occupational Health and Safety Act • Occupational Health and Safety Regulation • Prohibition of Asbestos and Products Containing Asbestos Regulations • Safety Regulation of the Public Health Act • School Act • Municipal Government Act • School Buildings and Tendering Regulations • Disposition of Property Regulation • Capital Borrowing Regulation • Designation and Transfer of Responsibility Regulation • School Capital Manual • New West Partnership Trade Agreement • Funding Manual for School Authorities • Education Design Standards • Memorandum of Understanding between Ministries of Education and Infrastructure • Canadian Consumer Product Safety Act • Consumer Products Containing Lead Regulations
Groundwater well closures, sealing, and waste disposal	• Water Act • Environmental Protection and Enhancement Act
Refrigeration equipment, coolants, batteries	• Ozone Depleting Substances and Halocarbons Regulation • Canadian Environmental Protection Act
Petroleum storage tanks, underground storage tanks, and PCB in ballasts and electrical transformers	• Storage Tank System Management Regulation • Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulation • PCB Regulations

Wastewater holding tanks and disposal fields	• Private Sewage Disposal Systems Regulation • Canadian Environmental Protection Act and Hazardous Waste and Hazardous Recyclable Materials
Patient information stored on electronics	• Health Information Act • Alberta Electronic Health Record Regulation • Personal Information Protection and Electronic Documents Act
Radioactive material	• Radiation Protection Act • Nuclear Safety & Control Act • Health Canada's Safety Code 35 • Nuclear Substances and Radiation Devices Regulation
Leasehold improvements	• Lease contracts
Computer hardware	• Electronics Designation Regulation
Firearms	• Firearms Act • Public Agents Firearms Regulation

Schedule C
Examples of Asset Retirement Obligation Journal Entries

Entity A did not previously recognize any asset retirement obligations. In preparing to adopt PS 3280, the entity has determined that it has one asset retirement obligation. The entity is preparing its March 31, 2023 financial statements. Main assumptions are as follows:

- The tangible capital asset to which the asset retirement obligation relates was acquired April 1, 2005 and was estimated to have a 20 year useful life.
- The entity incurred 100% of the asset retirement obligation upon acquisition of the tangible capital asset (April 1, 2005).
- The entity uses straight-line amortization.
- At April 1, 2022, the undiscounted expected cash flows that will be required to satisfy the asset retirement obligation on March 31, 2025 total $250,000.
- On April 1, 2005, the discount rate was 5% and held consistent until April 1, 2022, when it changed to 3%.

Under the modified retroactive approach, an adjustment is made to opening accumulated surplus, and the liability is measured as of the date it was incurred (April 1, 2005). However, the discount rate and assumptions used are those as of the beginning of the fiscal year in which PS 3280 is first applied (April 1, 2022).

- The present value of the asset retirement obligation (and the related asset retirement costs) at April 1, 2005 using a 3% discount rate is $138,419.
- The present value of the asset retirement obligation at April 1, 2022 using a 3% discount rate is $228,785.

<u>April 1, 2022*</u>

Dr. Tangible Capital Asset	$138,419	
Dr. Opening Accumulated Surplus, comprising:	$208,022	
a) $ 90,366 - accumulated accretion		
b) $117,656 - accumulated amortization		
Cr. Asset Retirement Obligation		$228,785
Cr. Accumulated Amortization ($138,419 / 20 years x 17 years)		$117,656

To record the asset retirement obligation.

**The March 31, 2022, balance sheet amounts are adjusted as indicated in the journal entry above in providing comparative figures in the March 31, 2023 financial statements. Previously reported March 31, 2022 operating surplus or deficit is reduced by $6,664 of accretion expense and $6,921 of additional amortization expense for a net reduction of $13,585 in operating surplus or deficit. The opening balance of accumulated surplus or deficit as at April 1, 2021, is decreased by $194,437.*

<u>March 31, 2023</u>

Dr. Amortization Expense ($138,419 / 20 years)	$6,921	
Dr. Accretion Expense ($228,785 x 3%)	$6,864	
Cr. Accumulated Amortization		$6,921
Cr. Asset Retirement Obligation		$6,864

To record accretion of the liability and amortization expense for 2023.

March 31, 2024

Dr. Amortization Expense	$6,921	
Dr. Accretion Expense (($228,785 + $6,864) x 3%)	$7,069	
Cr. Accumulated Amortization		$6,921
Cr. Asset Retirement Obligation		$7,069

To record accretion of the liability and amortization expense for 2024.

March 31, 2025

Dr. Amortization Expense	$6,921	
Dr. Accretion Expense (($228,785+6,864+7,069) x3%)	$7,282	
Cr. Accumulated Amortization		$6,921
Cr. Asset Retirement Obligation		$7,282

To record accretion of the liability and amortization expense for 2025.