

APPENDIX A: METHOD FOR COST ESCALATION

$$\text{Cost}_n = \text{Cost}_0 \times (1 + \text{Cost_growth}_{3\text{yr}})^n$$

Where:

- Cost_n = The cost of the improvements in year n;
 Cost_0 = The cost of the improvement in the current year;
 $\text{Cost_growth}_{3\text{yr}}$ = The growth rate of costs over the last three years;
 n = The number of years until the improvement is constructed.

The three-year growth rate is determined by the following formula:

$$\text{Cost_growth}_{3\text{yr}} = [\text{Cost_growth}_{-1} + \text{Cost_growth}_{-2} + \text{Cost_growth}_{-3}]/3$$

Where:

- $\text{Cost_growth}_{3\text{yr}}$ = The growth rate of costs over the last three years;
 Cost_growth_{-1} = The growth rate of costs in the previous year;
 Cost_growth_{-2} = The growth rate of costs two years prior;
 Cost_growth_{-3} = The growth rate of costs three years prior.