

Providence Mat-Su Surgery Center
Certificate of Need Application
November 2012

Net Present Value (NPV) of the Lease Payments

Lease Payment, first year	\$ 518,400
Inflation per year	3.0%
Useful Life, years	20
Discount Rate	6.5% [1]

NPV of Lease Payments: \$ 7,219,549

Calculations:

Year	Lease payment	NPV
1	\$ 518,400	\$ 518,400 * (1 / (1+6.5%) ^ 1) = \$ 486,761
2	\$ 533,952	\$ 533,952 * (1 / (1+6.5%) ^ 2) = \$ 470,764
3	\$ 549,971	\$ 549,971 * (1 / (1+6.5%) ^ 3) = \$ 455,293
4	\$ 566,470	\$ 566,470 * (1 / (1+6.5%) ^ 4) = \$ 440,330
5	\$ 583,464	\$ 583,464 * (1 / (1+6.5%) ^ 5) = \$ 425,859
6	\$ 600,968	\$ 600,968 * (1 / (1+6.5%) ^ 6) = \$ 411,864
7	\$ 618,997	\$ 618,997 * (1 / (1+6.5%) ^ 7) = \$ 398,328
8	\$ 637,567	\$ 637,567 * (1 / (1+6.5%) ^ 8) = \$ 385,238
9	\$ 656,694	\$ 656,694 * (1 / (1+6.5%) ^ 9) = \$ 372,577
10	\$ 676,394	\$ 676,394 * (1 / (1+6.5%) ^ 10) = \$ 360,333
11	\$ 696,686	\$ 696,686 * (1 / (1+6.5%) ^ 11) = \$ 348,491
12	\$ 717,587	\$ 717,587 * (1 / (1+6.5%) ^ 12) = \$ 337,038
13	\$ 739,114	\$ 739,114 * (1 / (1+6.5%) ^ 13) = \$ 325,962
14	\$ 761,288	\$ 761,288 * (1 / (1+6.5%) ^ 14) = \$ 315,249
15	\$ 784,127	\$ 784,127 * (1 / (1+6.5%) ^ 15) = \$ 304,889
16	\$ 807,650	\$ 807,650 * (1 / (1+6.5%) ^ 16) = \$ 294,869
17	\$ 831,880	\$ 831,880 * (1 / (1+6.5%) ^ 17) = \$ 285,179
18	\$ 856,836	\$ 856,836 * (1 / (1+6.5%) ^ 18) = \$ 275,807
19	\$ 882,541	\$ 882,541 * (1 / (1+6.5%) ^ 19) = \$ 266,743
20	\$ 909,018	\$ 909,018 * (1 / (1+6.5%) ^ 20) = \$ 257,976
Total:		\$ 7,219,549

[1] The discount rate of 6.5% is tied to PH&SA most recent experience for the cost of capital and issuance of taxable bonds