

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