

[REPUBLIC ACT NO. 7156, September 12, 1991]

**AN ACT GRANTING INCENTIVES TO MINI-HYDRO-ELECTRIC
POWER DEVELOPERS AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

SECTION 1. *Title.* - This Act shall be known as the "Mini-hydroelectric Power
Incentives Act."

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to
strengthen and enhance the development of the country's indigenous and self-
reliant scientific and technological resources and capabilities and their adaptation to
the country in order to attain energy self-sufficiency and thereby minimize
dependence on outside source of energy supply. In pursuance thereof, it is further
declared that mini-hydroelectric power developers shall be granted the necessary
incentives and privileges to provide an environment conducive to the development
of the country's hydroelectric power resources to their full potential.

SEC. 3. *Declaration of Objectives.* - The objectives of the framework being
established for the development of mini-hydroelectric power generation are as
follows:

1. To encourage entrepreneurs to develop potential sites for hydroelectric power
existing in their respective localities;
2. To encourage entrepreneurs to develop potential sites for hydroelectric power
existing in the country by granting the necessary incentives which will provide
a reasonable rate of return;
3. To facilitate hydroelectric power development by eliminating overlapping
jurisdiction of the many government agencies whose permits, licenses,
clearances and other similar authorizations issued by various government
agencies as presently required for such development, and by vesting in one
agency the exclusive authority and responsibility for the development of mini-
hydroelectric power;
4. To apportion a part of the realty and special privilege taxes and other economic
benefits of the hydroelectric power potential to the respective localities where
they are established; and
5. To provide a contractual framework wherein some stability of conditions can be
relied upon for long-term financing purposes.

SEC. 4. *Definition of Terms.* - As used in this Act, the following terms shall be
understood, applied and construed as follows:

1. "Hydroelectric power" shall refer to electric power produced by utilizing the
kinetic energy of falling or running water to turn a turbine generator;

2. "Mini-hydroelectric power plant" shall refer to an electric-power-generating plant which: (a) utilizes the kinetic energy of falling or running water (run-of-river hydro plants) to turn a turbine generator producing electricity; and (b) has an installed capacity of not less than 101 kilowatts nor more than 10,000 kilowatts;
3. "Mini-hydroelectric power development" shall refer to the construction and installation of a hydroelectric-power-generating plant and its auxiliary facilities such as transmission, substation and machine shop with an installed capacity of not less than 101 kilowatts nor more than 10,000 kilowatts;
4. "Mini-hydroelectric power developer" or "developer" shall refer to any individual, cooperative, corporation or association engaged in the construction and installation of a hydroelectric-power-generating plant with an installed capacity of not less than 101 kilowatts nor more than 10,000 kilowatts;
5. "Domestic use" shall refer to the utilization of water for drinking, washing, bathing, cooking or other household needs, home gardens and watering of lawns or for domestic animals;
6. "Municipal use" shall refer to the utilization of water for supplying the water requirements of the community; and
7. "Irrigation use" shall refer to the utilization of water for producing agricultural crops.

SEC. 5. *Agency in Charge.* - The Office of Energy Affairs, hereinafter referred to as the OEA, shall be the sole and exclusive authority responsible for the regulation, promotion and administration of mini-hydroelectric power development and the implementation of the provisions of this Act.

SEC. 6. *Powers and Duties of the OEA.* - The OEA shall exercise the following powers and duties:

1. Within six (6) months from approval of this Act, promulgate, in consultation with the National Water Resources Board (NWRB), such rules and regulations as may be necessary for the proper implementation and administration of this Act;
2. Process and approve applications for mini-hydroelectric power development, imposing such terms and conditions as it may deem necessary to promote the objectives of this Act, subject to the following standards, namely:
 - a. The applicant must be a citizen of the Philippines or a corporation, partnership, association or joint stock company, constituted and organized under the laws of the Philippines, at least sixty percent (60%) of the stock or paid-up capital of which belongs to citizens of the Philippines;
 - b. The applicant must prove that the operation of the proposed mini-hydroelectric project and the authorization to do business will promote the public interest in a proper and suitable manner and, for this purpose, within six (6) months from approval of this Act, formulate, in consultation with the National Economic and Development Authority (NEDA), the National Electrification Administration (NEA), and the Department of Trade and Industry (DTI), standards to measure the technical and financial capability of the developer; and
 - c. The applicant must be financially capable of undertaking the proposed mini-hydroelectric project and meeting the responsibilities incident to its