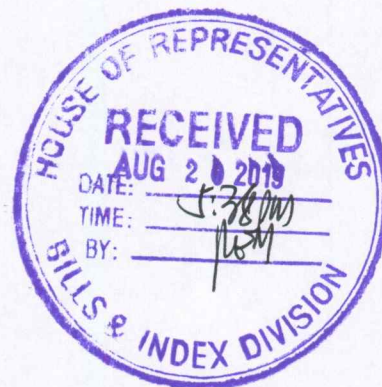




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



EIGHTHEENTH CONGRESS
First Regular Session

4097

H. B. No. _____

Introduced by Representative TEODORICO "NONONG" T. HARESCO, JR.

AN ACT
RATIONALIZING THE ECONOMIC REGULATION OF WATER UTILITIES,
CREATING THE WATER REGULATORY COMMISSION,
AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Based on the 2015 Family Income and Expenditure Survey of the Philippine Statistics Authority, 87.2% of the population has access to water from formal providers, but only 43.6% have piped connection, while 11.2% use communal faucets, and the other 45.2% rely on point sources. The remaining 12.8% of the population use various means of getting water, including fetching water from rivers, digging shallow wells, or buying vended water. On wastewater treatment services, coverage is dismal. Roughly 4% of the population is connected to sewerage systems. It is only in Metro Manila where the service providers, in this case private concessionaires, have a program for septage management services and future plans to put in place improved wastewater treatment collection and treatment services. The inadequate safe water and wastewater services result to significant economic losses, attributed to health costs, losses from tourism and fisheries industries. Diarrhea, the most significant waterborne disease, remains as one of the leading causes of morbidity and mortality in the Philippines, an easily preventable disease.

The problem is not in access alone; the water supply level of service (*i.e.* from point sources or communal faucets to piped connection) and quality of service (*e.g.* achieving 24/7 supply, adequate pressure, and drinking water quality) has to be improved considerably also.

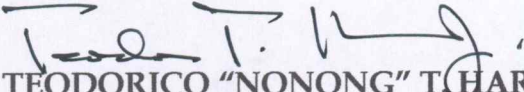
While there are many facets to the problem, poor economic regulation has been identified as a critical structural weakness in the sector. Because of the lack of or poor enforcement of economic regulations, water utilities are not compelled to expand coverage or improve quality of service, tariffs are not set rationally, operations are not efficient, and few service providers are financially viable. The inability of the formal

service providers to expand coverage encouraged work-around solutions that eventually aggravated the problem including spawning of many small-scale water service providers. Based on the nationwide registry of water service providers¹, there is an estimated 23,603 water service providers from 1,451 municipalities and cities in the Philippines, 90% of which have connections of less than 5,000. Hence, by and large, there are no economies of scale resulting to inefficiencies and inherent limitations for growth.

In the Philippine context, poor economic regulation is a result of fragmentation; there are several agencies doing economic regulation, (*e.g.* Local Water Utilities Administration, Metropolitan Waterworks and Sewerage System, Local Government Units, National Water Resources Boards, Tourism Infrastructure Economic Zone Authority, etc.). Apart from the National Water Resources Boards, regulators have conflicts of interest in their dual role as financier, as in the case of Local Water Utilities Administration, or as direct service providers, as in the case of municipal or city governments, thus, effectively practicing self-regulation.

This bill intends to address the issue of fragmentation through the rationalization of the economic and administrative regulation of water utilities through an independent, quasi-judicial body called the Water Regulatory Commission. Among its functions will be to enforce service coverage and quality of performance targets, toward the objective of providing every Filipino safe water supply and adequate wastewater services.

The immediate passage of this bill is, thus, earnestly sought.


TEODORICO "NONONG" T. HARESCO, JR.

¹ The "Listahang Tubig" managed and implemented by the National Water Regulatory Board

Introduced by Representative TEODORICO “NONONG” T. HARESCO, JR.

AN ACT

RATIONALIZING THE ECONOMIC REGULATION OF WATER UTILITIES,

CREATING THE WATER REGULATORY COMMISSION,

AND FOR OTHER PURPOSES

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

CHAPTER I - GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “*Water Regulatory Act of 2019.*”

SEC. 2. *Declaration of National Policy.* – It is hereby declared the policy of the State to recognize, protect, realize and enhance the right of all Filipinos to safe and clean drinking water and sanitation as essential to the full enjoyment of life and all human rights.

In the pursuit of this Policy, this Act shall have the following objectives:

- a) To prioritize and seek the immediate attainment of universal access to safe, adequate, affordable and sustainable water supply and sanitation services for all Filipinos, and adopt all necessary measures directed towards the realization of the human right to water;
- b) To accelerate the expansion, improvement and, ultimately, efficient provision of Level III water supply systems and sanitation services for the entire country, in a manner consistent with the protection, preservation, and revival of the quality of the country’s water resources;
- c) To encourage and enable private sector participation in the continued growth and development of water supply and septage management and sewerage facilities and services;
- d) To create a business and regulatory environment that is level, transparent, and conducive for public and private domestic and foreign investment in water supply and sanitation services;

- e) To provide incentives and/or support to encourage investments, and/or take all steps necessary for the provision of affordable access to water supply and sanitation services in unserved and underserved areas;
- f) To ensure fair, just, and reasonable tariffs, rates, and charges for water supply and sanitation services;
- g) To protect the legal and other interests of consumers of water supply and sanitation services rendered by public and private sector licensees;
- h) To establish an administrative process for economic regulation that is stable, transparent, and fair, giving due emphasis to technical, legal, environmental, economic, and financial considerations, and with due regard to the observance of due process at all times; and
- i) To establish a strong and independent economic regulatory body to ensure consumer protection, promote good business practice and competition among Service Providers and full public accountability to achieve greater operational and economic efficiency.

SEC. 3. Definition of Terms. – As used under this Act, the following words or terms shall have the following meaning:

- a) **Bulk Water Suppliers** shall refer to any entity, natural or juridical, whether public or private, supplying or intending to supply large quantities of raw or treated water to buyers who will use it for own consumption, such as industrial companies, or for retail distribution to consumers, such as Water Districts or subdivisions managing their own distribution network
- b) **Commission** shall mean the Water Regulatory Commission.
- c) **Levels of Water Supply Service**, consistent with the definitions provided under the National and Economic Development Authority Board Resolution Number 12, Series of 1995, shall mean as follows:
 - i. **Level I (*Point Source*)** – a protected well or a developed spring with an outlet but without a distribution system, generally adaptable for rural areas where the houses are thinly scattered. A Level I facility normally serves an average of 15 households.
 - ii. **Level II (*Communal Faucet System or Standposts*)** – a system composed of a source, a reservoir, a piped distribution network, and communal faucets. Usually, one faucet serves 4 to 6 households. Generally suitable for rural and urban fringe areas where houses are clustered densely to justify a simple piped system.
 - iii. **Level III (*Waterworks System or Individual House Connections*)** – a system with a source, a reservoir, a piped distribution network and household taps. It is generally suited for densely populated urban areas.
- c) **License** shall mean the Water Supply and/or Sanitation Services Operating License that the Commission is authorized to grant and issue to Service Providers.

- 1
2 d) **Licensee** shall mean the Service Provider to whom a License is granted or
3 issued by the Commission.
4
5 e) **LWUA** shall mean the Local Water Utilities Administration created under
6 Presidential Decree No. 198, as amended.
7
8 f) **MWSS** shall mean the Metropolitan Waterworks and Sewerage System,
9 created by Republic Act Number 6234.
10
11 g) **NWRB** shall mean the National Water Resources Board created by Presidential
12 Decree Number 424, as amended by Executive Order No. 124-A.
13
14 h) **PEZA** shall mean the Philippine Economic Zone Authority, created by Republic
15 Act No. 7916, otherwise known as the Special Economic Zone Act of 1995.
16
17 i) **Regulatory Units** shall refer to the regulatory offices established under Section
18 5 of this Act to issue Licenses authorizing the operation of Water Supply and
19 Sanitation Services; provide, review, determine, fix, and approve water and
20 sewerage tariffs, rates and charges that Licensees may impose; and exercise
21 such other functions and powers as may be provided hereunder.
22
23 j) **Sanitation** as used under this Act, refers only to sewerage and septage
24 management.
25
26 k) **SBMA** shall mean the Subic Bay Metropolitan Authority, created by Section 13
27 of Republic Act No. 7227, otherwise known as the Bases Conversion and
28 Development Act of 1992.
29
30 l) **Service Area** shall refer to the area covered by the water distribution system,
31 sewerage and septage management services.
32
33 k) **Service Provider** shall refer to any entity, natural or juridical, whether private
34 or public, providing or intending to provide levels II & III water supply,
35 including bulk water suppliers; sewerage; and/or septage treatment and
36 disposal services for domestic or residential, industrial or commercial use.
37
38 l) **Sewerage** shall refer to any system or network of pipelines, ditches, channels
39 or conduits including pumping stations, lift stations and force mains, service
40 connections including other constructions, devices or appliances appurtenant
41 thereof, which includes the collection, transport, pumping and treatment of
42 water-borne human or animal waste removed from residences, buildings,
43 institutions, industrial and commercial establishments, to point of disposal.
44
45 m) **Septage** shall refer to sludge produced on individual onsite wastewater
46 disposal systems, principally septic tanks and cesspools.
47
48 n) **Septage Management** shall refer to the provision of proper collection,
49 treatment and disposal of septage.
50
51 o) **Tariffs** shall refer to such amounts which may be charged by Licensees of
52 Water Supply and/or Sanitation Services for their services based on principles,
53 standards, and guidelines established by the Commission.

- 1
- 2 p) **TIEZA** shall mean the Tourism Infrastructure and Enterprise Zone Authority,
- 3 created by Republic Act No. 9593, otherwise known as the Tourism Act of 2009.
- 4
- 5 q) **Water District** shall refer to government-owned and -controlled corporations
- 6 organized under Presidential Decree No. 198, as amended, created primarily to
- 7 acquire, install, operate, maintain and improve water supply and distribution
- 8 systems for domestic, industrial and municipal uses of residents and to
- 9 provide, maintain and operate waste water collection, treatment and disposal
- 10 facilities within the boundaries of the district.
- 11
- 12 r) **Water Supply and/or Sanitation Service** refers to any activity comprising of
- 13 Levels II and III water supply including suppliers to subdivisions and other
- 14 Service Providers; sewerage; and septage treatment and disposal services.
- 15
- 16

17 **CHAPTER II - ORGANIZATION**

18

19

20 **SEC. 4. *The Water Regulatory Commission.*** – There is hereby created and established

21 an independent, quasi-judicial regulatory body to be named the Water Regulatory

22 Commission, hereinafter referred to as the Commission, which shall be organized

23 within one hundred twenty (120) days after the effectivity of this Act.

24

25 The Commission shall be placed under the administrative supervision of the

26 Department of Environment and Natural Resources.

27

28 The Commission shall have a Board of Commissioners, and shall be vested with

29 powers and functions, as conferred and set forth hereunder.

30

31 **SEC. 5. *The Regulatory Units.*** – The Regulatory Units of the Commission shall be

32 composed of the Provincial Regulatory Units and the Central Regulatory Unit.

33

34 The Provincial Regulatory Units shall be established by the Commission in

35 accordance with such rules, regulations, guidelines and standards as the Commission

36 shall issue, and as provided hereunder.

37

38 Moreover, the pertinent regulatory divisions or units of the Metropolitan Waterworks

39 and Sewerage System, National Water Resources Boards, Local Water Utilities

40 Administration, Laguna Lake Development Authority, Subic Bay Metropolitan

41 Authority, Philippine Economic Zone Authority, and Tourism Infrastructure

42 Economic Zone Authority are hereby transferred to the Commission, and shall

43 collectively comprise its Central Regulatory Unit for Water Supply and Sanitation

44 Services that: (a) provide services to more than one province; and (b) are owned,

45 operated and/or maintained by special economic zones and Metro Manila

46 concessionaires.

47

48 **SEC. 6. *Powers and Functions of the Commission.*** – The overall authority and powers

49 of the Commission shall cover and apply to all Service Providers, whether private or

50 public, providing or intending to provide levels II & III water supply, including

51 suppliers to subdivisions and/or other Service Providers; sewerage; and/or septage

52 treatment and disposal services for domestic/residential, industrial or commercial

53 use.

1
2 The Commission shall have the following powers and functions:
3

- 4 a) Issue and promulgate rules, regulations, and guidelines as may be necessary to
5 implement and enforce its powers and functions under this Act;
6
- 7 b) Set and enforce just and reasonable technical standards, classifications, and
8 measurements of service;
9
- 10 c) Appoint the central and provincial regulators;
11
- 12 d) Establish rules and regulations to monitor, avoid and provide remedies for any
13 market power abuse or anti-competitive or discriminatory act or behavior by
14 or against any participant in the water supply and sanitation sector. Upon
15 finding that a market participant has engaged in, or fell victim to such act or
16 behavior, the Commission shall act to stop and/or redress the same. Such
17 remedies may, without limitation, include the imposition of price controls,
18 issuance of injunctions, requirement of divestment or disgorgement of excess
19 profits, invalidation of contracts and imposition of fines and penalties pursuant
20 to this Act.
21
- 22 e) Adopt and require that books, records and accounts be kept and maintained in
23 accordance with the prescribed uniform accounting system;
24
- 25 f) Fix and determine proper and adequate rates of depreciation of properties and
26 equipment used in Water Supply and Sanitation Service/s;
27
- 28 g) Impose and collect annual levies determined as a percentage of gross revenue
29 accruing in relation to the licensed activities, and reasonable fees and
30 surcharges as may be necessary for achieving the purposes, powers and
31 functions of the Commission;
32
- 33 h) Require the submission reports of finances and operations, verified under oaths
34 by the owner or president and secretary of the Licensee;
35
- 36 i) Determine and require the monitoring and submission of such data, statistics
37 and other information from the Regulatory Units and any or all licensees as
38 may be necessary for the effective and efficient exercise of its duties, functions,
39 powers and responsibilities.
40
- 41 j) Investigate, *motu proprio* or upon complaint in writing, any matter concerning
42 the operation of the service and require that service be provided in proper and
43 suitable manner;
44
- 45 k) Impose penalties and fines against any Licensee or against its owners, directors,
46 officers, agents or representatives for any violation of this Act or of the license,
47 order, rules, regulations, or requirement issued by the Commission;
48
- 49 l) Require any Licensee to pay the actual expenses incurred by the Commission
50 in any investigation, if it shall be found that a Licensee violated any provision
51 of this Act or of the license, order, rules, regulations, or requirement issued by
52 the Commission;
53

- m) Advise, apprise, and coordinate with other relevant agencies of the national or local government on any matter relating to Water Supply and/or Sanitation Services;
- n) Deputize agents, whether from the public or private sector, to assist in the performance of any of the powers and functions of the Commission;
- o) Upon appeal and after due hearing, appoint an interim or temporary management committee to ensure continuity of service in case a Licensee fails to meet conditions of the license and the concerned Regulatory Unit fails or refuses to appoint an interim management committee as provided in the following section.
- p) Appoint, hire and maintain adequate staff and personnel, advisers, and/or consultants, with suitable qualifications and experience, as necessary;
- q) Original and exclusive jurisdiction over all cases contesting rates, fees, fines and penalties imposed by the Regulatory Units in the exercise of their powers, functions and responsibilities, as set forth herein, and over all cases involving disputes between and among participants or stakeholders in the Water Supply and/or Sanitation Services; and
- r) Such other incidental powers and functions as may be necessary to attain the objectives of this Act.

SEC. 7. Powers and Functions of the Regulatory Units. – The Regulatory Units of the Commission shall have the following powers and functions:

- a) Issue Licenses authorizing the operation of Water Supply and/or Sanitation Services in any specified area or areas within the Philippines.
- b) Impose fines, charges and other penalties upon any Provider and/or its officers and stockholders who shall fail or refuse to register and/or obtain a License prior to operation or commencement of business, as provided hereunder.
- c) Consistent with rules, guidelines, procedures and methodologies which the Commission shall provide, review, determine, fix, and approve proposed water and sewerage tariffs, rates, and charges that Licensees may impose upon their customers/consumers;
- d) Appraise and value property and equipment used by Licensees in providing water supply and sanitation service/s.
- e) Enforce technical, financial and other performance standards set by the Commission for licensees/utilities;
- f) Respond to consumer complaints and ensure the adequate promotion of consumer interests;
- g) Investigate accidents directly or indirectly arising from or connected with the maintenance or operation of the service, and make such order or recommendation as the public interest may warrant;

- 1 h) Upon petition, or *motu proprio* where in its determination public interest so
2 dictates, require the review and/or approval of contracts or agreements that
3 may impact on the tariff and rates of service provision entered into by Service
4 Providers;
5
6 i) Require the submission of reports, plans and other documents that set out the
7 performance targets of the licensees/utilities, and regular accomplishment
8 reports;
9
10 j) Impose and collect annual levies determined as a percentage of gross revenue
11 accruing in relation to the licensed activities, and reasonable fees and
12 surcharges as may be necessary for achieving the purposes, powers and
13 functions of the regulator;
14
15 k) Conduct benchmarking and monitor the performance of licensees/utilities
16 under their jurisdiction, and publish reports detailing the results thereof, as
17 may be necessary or required by the Commission;
18
19 l) Amend, modify, suspend or revoke any License issued by them, after due
20 notice and hearing, on any of the following grounds:
21
22 i. When the facts and circumstances on the strength of which the license was
23 issued have been materially misrepresented or has materially changed;
24
25 ii. Where the Licensee has failed to meet or comply with terms, conditions
26 and performance targets – including, but not limited to, service expansion
27 – that may have been set in the license;
28
29 iii. Where the Licensee is found to be manifestly inefficient in the operation
30 of or provision of Water Supply and Sanitation services in its area; or
31
32 iv. When the holder thereof has violated or willfully refused to comply with
33 any order, rule or regulation of the Commission or any provision of this
34 Act.
35
36 m) Appoint an interim management committee to ensure continuity of service in
37 case a licensee fails to meet conditions of the license; and
38
39 n) Submit performance plans and reports as required by the Commission.
40

41 **SEC. 8. Composition. –**
42

- 43 a) The Commission shall be a collegial body composed of five (5) full-time
44 members composed of a Chairperson and four (4) members, who shall all be
45 appointed by the President of the Philippines. All members of the Commission
46 must be citizens and residents of the Philippines, at least thirty five (35) years
47 of age, and of good moral character, recognized integrity and competence in
48 the field of law, business, commerce, finance, accounting or public
49 administration, water or utility economics, management, physical or
50 engineering services, hydrology and other related services, with at least three
51 (3) years of actual and distinguished experience in their respective fields of
52 expertise: *Provided, That*, out of the four members of the Commission, at least
53 one (1) shall be a member of the Philippine Bar, with at least ten (10) years of

1 experience in the active practice of law, and at least one (1) shall be a certified
2 public accountant with at least ten (10) years of experience in active practice.
3

4 b) The term of office of each member of the Commission shall be seven (7) years:
5 *Provided, however, That, among the members first appointed, the Chairperson*
6 *shall serve for a period of seven (7) years, two (2) members shall serve for five*
7 *(5) years, and the other two (2) members shall serve for three (3) years:*
8 *Provided, further, That, any member whose term has expired as specified herein*
9 *shall serve as such until his successor shall have been appointed and qualified:*
10 *Provided, moreover, That, any appointment to fill a vacancy in the Commission*
11 *arising from death, removal, retirement or resignation shall be made only for*
12 *the unexpired term: Provided, finally, That, in no case shall any member serve*
13 *for more than seven (7) years in the Commission.*
14

15 c) The Commission shall meet as often as may be necessary on such day or days
16 as the Chairperson may fix. The presence of at least three (3) members of the
17 Commission shall constitute a quorum, which shall be necessary for the
18 transaction of any business. The affirmative vote of majority of the members
19 of the Commission where a quorum is present shall be necessary for the
20 adoption of any order, resolution, decisions, or other act of the Commission in
21 the exercise of its quasi-judicial functions: *Provided, That, in promulgating*
22 *rules, regulations, guidelines and in the exercise of its quasi-legislative*
23 *functions, an affirmative vote of three (3) members shall be required.*
24

25 d) The Chairman of the Commission shall exercise general executive control and
26 supervision of the Commission and its members, staff and personnel, agents
27 and representatives.
28

29 Within three (3) months from the creation of the Commission and the
30 appointment of all Members of the Commission, the Chairman shall submit
31 for the approval by the President of the Philippines the new organizational
32 structure and plantilla positions necessary to carry out the powers and
33 functions of the Commission, including those of the Central and Provincial
34 Regulatory Units.
35

36 The staff and personnel positions of the Commission shall be filled by regular
37 appointments in accordance with a staffing plan to be prepared by the
38 Commission.
39

40 e) Members of the Commission shall enjoy security of tenure and shall not be
41 suspended or removed from office, except for just cause as specified by law.
42

43 f) The Chairman and members of the Commission or any of their relatives within
44 the fourth civil degree of consanguinity or affinity, legitimate or common law,
45 shall be prohibited from holding any interest whatsoever, either as investor,
46 stockholder, officer or director, in any company or entity engaged in provision
47 of water supply and distribution, septage management and sewerage services
48 and must, therefore, divest through sale or legal disposition of any and all
49 interests in the water sector upon assumption of office.
50

51 **SEC. 9. Commission Secretariat.** – The Commission shall establish a Secretariat which
52 shall provide the Commission with technical and other support services, including,
53 among others:

- 1
- 2 a) Providing the necessary technical inputs and secretariat support to the
- 3 Commission to facilitate the conduct of its functions;
- 4
- 5 b) Coordinating with Regulatory Units to ensure proper implementation of the
- 6 rules, regulations, and guidelines promulgated by the Commission;
- 7
- 8 c) Monitoring and assessing activities of the Regulatory Units in relation to their
- 9 respective annual performance plans and targets;
- 10
- 11 d) Maintaining a database on the water supply and sanitation subsector; and
- 12
- 13 e) Coordinating with other relevant agencies of the national or local government
- 14 on any matter relating to water supply and sanitation.
- 15

16 **SEC. 10. Executive Director.** – The Commission shall also appoint an Executive

17 Director who shall head the Commission Secretariat, keep and maintain the official

18 record and report of the proceedings of the Commission, and have the authority to

19 administer oaths in all matters falling within the jurisdiction of the Commission.

20

21 The Executive Director shall be responsible for the effective implementation of the

22 policies, plans, programs, rules, regulations and directives of the Commission;

23 coordinate and supervise the activities of the different operating units under the

24 Commission; and perform such functions as may be assigned by the Chairperson

25 and/or other members of the Commission.

26

27 **SEC. 11. Compensation and Other Emoluments.** – The compensation of the members

28 of the Commission and its staff shall be exempt from the coverage of Republic Act.

29 No. 6758, otherwise known as the Salary Standardization Act: *Provided, That,* the

30 salaries of the Commission and its staff shall conform as closely as possible to the

31 principles of the said law.

32

33 For this purpose, the schedule of compensation of the Commission and its Regulatory

34 Units and staff shall be submitted for approval of the President of the Philippines. The

35 compensation schedule of the Commission and its Regulatory Units and staff shall be

36 implemented within six (6) months from the effectivity of this Act and maybe

37 upgraded by the President of the Philippines as the need arises: *Provided further, That,*

38 in no case shall the compensation of the Commission and its staff be upgraded more

39 than once a year.

40

41 Pertinent civil service laws, rules and regulations of the Philippines shall be applicable

42 to the Commission.

43

44 The Chairman and members of the Commission shall initially be entitled to the same

45 salaries, allowances and benefits as those of the Presiding Justice and Associate

46 Justices of the Supreme Court, respectively.

47

48

49 CHAPTER III - REGISTRATION AND LICENSING

50

51

52 **SEC. 12. Registration and Licensing of All Water Supply and/or Sanitation Services.**

53 – All Water Supply and/or Sanitation Service Providers, including Bulk Water

1 Suppliers and those providing services to subdivisions and/or other Service
2 Providers, shall register with the Commission and, subject to such rules, guidelines,
3 procedures, and other issuances as the Commission may issue, obtain a License to
4 operate from the appropriate Regulatory Units.

5
6 The Commission shall also ensure that the granting and revocation of licenses are
7 carried out fairly, transparently, and without discrimination. Its issuances shall
8 therefore specify, among others, the qualifications, requirements and procedure for
9 the granting and revocation of Licenses, as well as the standards and performance
10 targets that must continuously be complied with in order to keep such licenses valid.

11
12 Unless otherwise provided herein or by the Commission, no public Water Supply
13 and/or Sanitation Service provider shall commence or conduct the business of
14 providing water supply and sanitation services without first obtaining a license.

15
16 Concession agreements and other contracts for water supply provision currently
17 existing shall remain valid and in force, unless otherwise invalidated by the
18 Commission where public interest so dictates, after due notice and hearing.

19
20 **SEC 13. *Conditions of License.*** – The Commission and/or the concerned Regulatory
21 Unit, may impose such conditions in the issued License, as it may deem necessary,
22 such as, but not limited to:

- 23
24 a) Tariffs, rates, and charges that may be imposed from its customers/consumers.
25
26 b) Term fixing the duration of the privilege.
27
28 c) Grounds for modification, suspension or cancellation of the License.
29
30 d) Minimum technical performance and service level standards.
31
32 e) Expansion targets and service level improvements over time.
33
34 f) Restrictions or conditions for transferability of the business or controlling
35 interest in the business.
36
37 g) Reportorial requirements and obligations of the grantee.
38
39 h) Submission to annual performance audit by the Commission or its duly
40 authorized representative(s).

41
42 The Commission shall specify the requirements and procedure for existing holders of
43 Certificate of Public Convenience/Certificates of Public Convenience and Necessity
44 issued by the NWRB, and/or Conformance issued by LWUA, to convert their existing
45 certificates into Licenses issued by the Commission.

46
47 All existing providers of Water Supply and/or Sanitation Services, without a legal
48 and valid Certificate of Public Convenience/Certificate of Public Convenience and
49 Necessity or Certificate of Conformance, shall register with the Commission and
50 apply for a License within six (6) months from the effectivity of this Act.

51
52 **SEC. 14. *Rights and Duties of Licensees.*** –
53

- 1 a) Any person granted a License under this Act shall have the obligation to ensure
2 that its licensed activities are conducted so as to further the public interest and,
3 in particular, that they:
4
- 5 i. Foster the maintenance and development of efficient, coordinated, and
6 viable operation of their licensed activities;
7
- 8 ii. Ensure that their Water Supply and/or Sanitation Services are provided in
9 a diligent, conscientious and workmanlike manner, in accordance with
10 applicable laws and the standards and practices set by the Commission and
11 generally accepted in the water supply and sanitation industry;
12
- 13 iii. Comply with drinking water quality requirements and other requirements
14 and standards that may be set by the Commission; and
15
- 16 iv. Not abandon its service without notice to and approval by the Commission.
17
- 18 b) Any person granted a License under this Act shall, to the extent allowed by law
19 and specified in the License, have the right to acquire or lease land and lay or
20 repair water or sanitation mains and other relevant facilities in public ways,
21 when required to fulfill their obligations.
22
- 23 c) Subject to any condition or limitation laid down in the License, a Licensee may
24 disconnect the supply of Water Supply and/or Sanitation services to a
25 customer if such customer defaults in the payment of amounts due to that
26 Licensee, in respect of water supplied or sanitation services provided, or for
27 acts of pilferage pursuant to Sections 8, 9, 10, and 11 of Republic Act No. 8041,
28 otherwise known as the Water Crisis Act of 1995.
29
- 30 d) Any License issued under this Act shall contain provisions designed to ensure
31 that Licensees:
32
- 33 i. Publish the Tariff and other charges approved by the Commission, and
34 other terms and conditions imposed by the Commission for the provision
35 of Water Supply and/or Sanitation Services.
36
- 37 ii. Prepare, within three (3) months from the issuance of a License, in
38 consultation with its customers, a Customer Service Code specifying the
39 manner and procedure for: (a) metering, billing, and collection of the
40 Licensee's approved tariff and other charges, (b) disconnection or
41 suspension of service in case of non-payment of tariffs and/or other
42 charges, or acts of pilferage, and (c) recommendation and recovery of
43 arrears in tariffs and other charges; and
44
- 45 iii. Maintain financial accounts in accordance with the manner and procedure
46 specified in the License and as may be required by the Commission.
47
- 48 iv. Maintain and upon request by anyone during regular office hours,
49 promptly make available for scrutiny and inspection such data, statistics
50 and other information, as may be required by the Commission.
51

52 **SEC. 15. Setting Tariffs, Rates and Other Charges.** - Regulatory Units shall establish
53 tariffs, rates, and other charges which are fair and reasonable, and which provide for

1 the economic viability of the service and a fair return on their investments considering
2 the prevailing cost of capital in the domestic and international markets.

3
4 Such tariffs, rates, and charges shall be based on and consistent with a rate-setting
5 methodology that the Commission shall, after due consultation, define and publish,
6 taking into account the following, among others:

- 7
8 a) Reasonable and prudent capital and recurrent costs of providing the service,
9 including a reasonable rate of return on capital;
10
11 b) Efficiency of the service;
12
13 c) Incentives for enhancement of efficiency;
14
15 d) Willingness to pay of the customers/consumers;
16
17 e) Equity considerations; and
18
19 f) Administrative simplicity.

20
21 Tariffs, rates and charges set by the Regulatory Units shall be presumed valid and
22 reasonable, unless a protest or contest is filed with the Commission.

23
24 **SEC. 16. *Promotion of Innovative Schemes to Improve Efficiency and Management of***
25 ***Systems.*** – The Commission shall promote innovative schemes, including, but not
26 limited to, the consolidation and/or integration of Water Supply and/or Sanitation
27 Services and/or Providers in the same Service Area, where it will result in improved
28 efficiency, services expansion and/or lowering of costs.

29
30 To this end, the Commission shall establish and issue such rules and regulations and
31 guidelines as may be necessary to: (a) create incentives to encourage efficiency and
32 service expansion; (b) establish the standards and targets that service providers are
33 required to meet; and (c) set the fines and penalties that would be imposed for failure
34 to meet such standards and targets.

35 36 37 **CHAPTER IV – QUASI-JUDICIAL FUNCTIONS OF THE COMMISSION**

38
39
40 **SEC. 17. *Proceedings Before the Commission.*** – For the purpose of any investigation,
41 inquiry or proceeding, the Commission shall have the requisite power to:

- 42
43 a) Issue *subpoena duces tecum* and *subpoena ad testificandum*;
44
45 b) Appoint hearing officers to hear and receive evidence on behalf of the
46 Commission;
47
48 c) Cite any person or party for contempt for refusal to appear, testify, or comply
49 with an order of the Commission on any matter that is the subject of
50 investigation, inquiry, or proceeding before the Commission.

51
52 **SEC. 18. *Orders and Decisions of the Commission.*** – The orders, resolutions and
53 decisions of the Commission, which must be reached as promptly and expeditiously

1 as reasonably and fairly possible, shall be in writing, and shall state clearly and
2 distinctly the facts and law on which it is based.

3
4 The Commission shall publish and make available for public inspection all decisions
5 and final orders in the adjudication of contested cases or applications.
6

7 **SEC. 19. Appeals Procedure and Prohibition Against Injunction. –**
8

- 9 a) The orders, rulings, and decisions of the Commission are final and executory,
10 unless appealed to the Court of Appeals within fifteen (15) days from receipt
11 of notice of such order, ruling or decision: *Provided*, That, orders, rulings, and
12 decisions of the Commission approving tariffs shall be immediately executory
13 and may be suspended only upon appeal and filing of a bond, in an amount to
14 be fixed by the Commission, to answer for damages occasioned by the
15 suspension or stay of execution of such orders, rulings, and decisions.
16
17 b) No injunction may be issued by any court or administrative agency to restrain
18 any proceeding before, or the implementation or execution of any order, ruling,
19 or decision of the Commission, except on the basis of a question of law brought
20 before the Supreme Court by way of petition for review on *certiorari*.
21
22 c) Subject to Section 7, paragraph 3 of this Act, an act or decision of the
23 Commission shall not be invalid merely because of a defect or irregularity in,
24 or in connection with, the appointment or vacancy in the Office of the
25 Chairperson or any other member of the Commission.
26
27

28 **CHAPTER V – TRANSITORY PROVISIONS**
29
30

31 **SEC. 20. Interface with Other Sector Regulators. –**
32

- 33 a) The Department of Environment and Natural Resources shall continue to have
34 the primary authority and responsibility for protecting the environment and
35 the quality water sources from waste and pollution, and shall promulgate rules,
36 regulations, and standards in this regard.
37
38 b) The Department of Health shall have primary authority and responsibility for
39 determining and enforcing drinking water quality and sanitation standards.
40 The Commission shall coordinate with the said Department in this regard, and
41 shall ensure the consistency of the standards and targets that it will set for
42 compliance by licensees with the mandated standards of the said Department.
43
44 c) The Commission shall coordinate with the NWRB for water allocation and data
45 collection, the local government units for development projects relating to
46 water supply and sanitation, and the Department of Public Works and
47 Highways for flood control and the harnessing and impounding of water.
48

49 **SEC. 21. Transfer of Rights and Obligations. –** The Commission shall, by virtue of this
50 Act, be subrogated to all the rights, and assume all the obligations, of the Water
51 Utilities Division of the NWRB, the Regulatory Offices of MWSS and LWUA, the
52 Regulatory Units of all special economic zones, and all other government agencies and
53 units whose powers and functions have been transferred to the Commission.

1
2 The transfer of powers and functions in the Department and agencies attached thereto,
3 as herein provided for, shall take effect within six (6) months after the effectivity of
4 this Act. The foregoing transfer of powers and functions shall include all applicable
5 funds, personnel, records, property, and equipment, as may be necessary. The same
6 shall apply to agencies which have been attached to the Department by virtue of this
7 Act.

8
9 As such, all offices under the Department and all attached agencies affected by the
10 provisions of this Act shall continue to function under their present mandates until
11 transition is effected as provided for under this Act.

12
13 The heads of the agencies shall continue to serve until replaced as provided for under
14 this Act.

15
16 All rights and obligations of the said government agencies are hereby transferred to
17 and assumed by the Commission, and shall be acted upon in accordance with the rules
18 and regulations of the Commission on Audit and other pertinent laws, rules, and
19 regulations.

20
21 **SEC. 22. *Separation from Service.*** – Employees separated from government service as
22 a result of this Act shall be entitled to the benefits which they may receive under
23 existing laws, rules and regulations.

24
25 **SEC. 23. *Funding.*** – The sum of Three Hundred Million Pesos (₱300,000,000.00) shall
26 be set aside from any available funds of the National Treasury, and is hereby
27 appropriated and authorized to be released, for the organization of the Commission
28 and its initial operations.

29
30 Thereafter, funds sufficient to fully carry out the objectives, powers, and functions of
31 the Commission and its Regulatory Units shall be appropriated every fiscal year in the
32 General Appropriations Act, in an amount that shall not be less than the amount
33 appropriated for it the previous year.

34
35 The Commission shall submit its annual budget, which shall include among others,
36 detailed information on the compensation and benefits received by their employees,
37 to the Department of Environment and Natural Resources for approval.

38
39 Moreover, subject to existing rules and regulations of the Department of Budget and
40 Management, all funds and monies collected by the Commission from fees, charges,
41 surcharges, and penalties, which the Commission may impose and collect under this
42 Act, shall accrue directly and automatically to the Commission, and shall be utilized
43 solely for its operations. The guidelines for the collection and disbursement of these
44 proceeds shall be defined in the implementing rules and regulations of this Act.

45
46 A proportion of the abovementioned amounts shall be used for training and capacity
47 building purposes, including the upgrade and procurement of equipment and
48 software, as may be necessary, for the efficient and effective exercise of its powers.
49 Such upgrades and procurements shall comply with the requirements of existing laws
50 on procurement, accounting, and auditing rules and regulations.

1 The amount of funds and monies collected, and the costs and purposes for which such
2 were expended, shall be made publicly available upon request, as well as on an official
3 website that the Commission shall establish.

4
5 **SEC. 24. *Separability Clause.*** – In the event that any provision of this Act is declared
6 unconstitutional, invalid, or illegal, the constitutionality, validity, or legality of the
7 remainder of the provisions of this Act shall not be affected thereby.

8
9 **SEC. 25. *Repealing Clauses.*** – The provision with respect to fixing of water rates and
10 sanitation service fees of Section 3 (h) and Section 12, and regulation of waterworks
11 and deep wells of Section 3 (n), regulation of waterworks and sanitation systems in
12 privately owned subdivisions of Section 3 (p) of Republic Act No. 6234, as amended,
13 is hereby repealed or modified accordingly.

14
15 Section 62 on regulation and Section 63 on rate review provided for under
16 Presidential Decree No. 198, as amended by Letters of Instruction Nos. OI 700 (1978),
17 744 (1978), 124 (1987), and 123 (2002), is hereby repealed or modified accordingly.

18
19 The provisions of the Local Government Code and its Implementing Rules and
20 Regulations which allow local government units to fix the rates of water utilities
21 owned, operated, and maintained by them within their jurisdiction, is hereby
22 repealed or modified accordingly.

23
24 Section 13 (b) on regulation of enterprises in ECOZONE of Republic Act No. 7916 as
25 amended, is hereby repealed or modified accordingly.

26
27 Provisions under Section 69 of Republic Act No. 9593 or the Tourism Act of 2009 and
28 its Implementing Rules and Regulations which mandates the Tourism Infrastructure
29 and Enterprise Zone Authority to grant franchises, supervise the operation of public
30 utilities, and register, monitor and regulate enterprises within Tourism Enterprise
31 Zones, are hereby repealed or modified accordingly.

32
33 Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act,
34 and all laws, decrees, rules and regulations, or portion thereof inconsistent with this
35 Act are hereby repealed or modified accordingly.

36
37 All other laws, decrees, rules and regulations and executive orders that are contrary
38 to or inconsistent with this Act are hereby repealed or modified accordingly.

39
40 **SEC. 26. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days following the
41 completion of its publication in a national newspaper of general circulation.

42
43 *Approved,*