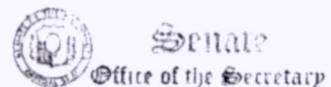


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE
S. No. 799

19 JUL 29 A11:17

RECEIVED BY

Introduced by SENATOR RAMON BONG REVILLA, JR.

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

EXPLANATORY NOTE

According to data gathered by water.org, out of the 101 million Filipinos, nine million rely on unimproved, unsafe and unsustainable water sources and 19 million lack access to improved sanitation.¹ Undoubtedly, many Filipinos are still being left behind in terms of having proper access to clean and improved water sources. When water is scarce, Filipinos, especially in the rural areas, often rely on drinking water from sources that are insanitary and not safe to drink. This in turn can cause serious health consequences to the people.

In addition to inadequacy of water supply, the Philippines also lacks a strong liquid in-liquid out system. This means that even if households are serviced with clean drinking water they have inadequate sanitation and sewerage services. This leads to severe cases of leptospirosis, dengue typhoid and related tropical and water-borne illnesses.

There are many water-related laws in the Philippines. However, enforcement is weak and the water sector is beset with problems such as poor database management and weak cooperation among water agencies, regulatory bodies, and LGUs. Currently, there are four (4) major economic regulatory agencies for water; the National Water Resources Board (NWRB), Local Water Utilities Administration (LWUA), Local

¹ <https://water.org/our-impact/philippines/>

Government Units (LGUs), and National Agencies which include Industrial Zones and the Metropolitan Waterworks and Sewerage System (MWSS). There are 580 Water Districts in the Philippines. However, according to a 2005 World Bank Survey, 125 of these were considered non-operational. In addition, there are over 1,000 LGU Utilities, 500 Rural Water Supply Associations, 200 Cooperatives, and 900 Private Firms.

The regulatory framework for water has many overlaps, and economic regulations are provided under a number of different arrangements thereby resulting to an unstable and fragmented regulatory framework. This fragmentation has had significant implications in the effective and adequate delivery of water and sanitation services in the country. Because there is no lead agency in the water resource sector, the different coordination systems, functions and jurisdictions of the various agencies have made it impossibly hard for water and sanitation to be collectively managed. Thus, the establishment of a unified agency that would focus on water, sewerage and sanitation is certainly very important.

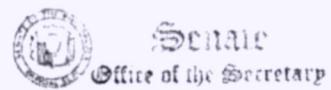
This bill seeks to rationalize the economic as well as administrative regulation of water utilities through an independent, quasi-judicial body called the Water Regulatory Commission. Among its functions are to set the policy for water supply, sewerage and septage management; issue and licenses; set, review and approve rates; review and suspend contracts; initiate investigations on erring officials through its quasi-judicial nature; review and revoke issuances, memoranda and the like that are not in accordance with the spirit of the Commission and ensure that the welfare of consumers are prioritized. To streamline organizational functions and responsibilities, the pertinent regulatory units of the MWSS, NWRB and LWUA will also be transferred to the commission. The bill takes cue from a number of prior legislative measures in prior Congresses, but includes a number of updated provisions.

In view of this foregoing, the urgent approval of this bill is earnestly sought.



RAMON BONG REVILLA, JR.

EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE
S. No. 799

19 JUL 29 A11 :17

RECEIVED

Introduced by SENATOR RAMON BONG REVILLA, 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:*

1 Section 1. *Short Title.* – This Act shall be known as the "Water Regulatory
2 Commission Act."

3 Sec. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to
4 recognize, protect and enhance the right of all Filipinos to safe and clean drinking
5 water as essential to the full enjoyment of life and all human rights by pursuing, in an
6 orderly, rational, efficient, and dynamic manner, the attainment of nationwide water
7 supply and sanitation services at reasonable rates. As well as, to encourage the
8 participation and investment of the private sector, both domestic and foreign, in the
9 provision of piped-water supply and sanitation services. For this purpose, there is a
10 need to establish a single agency of government to be invested with ample powers
11 for the rational and effective economic regulation of all water supply and sanitation
12 systems.

13 Sec. 3. *Objectives.* –

14 The Commission shall have the following objectives:

15 a) To prioritize and seek the immediate attainment of universal access to safe,
16 adequate, affordable and sustainable water supply and sanitation services for

- 1 all Filipinos, and adopt all necessary measures directed towards the realization
2 of the human right to water;
- 3 b) To accelerate the expansion, improvement and, ultimately, efficient
4 provision of Level III water supply systems and sanitation services for the
5 entire country, in a manner consistent with the protection, preservation and
6 revival of the quality of the country's water resources
- 7 c) To encourage and enable private sector leadership in the Continued growth
8 and development of water supply and septage management and sewerage
9 facilities and services;
- 10 d) To create a business and regulatory environment that is level, transparent
11 and conducive for public and private domestic and foreign investment in
12 water supply and sanitation services;
- 13 e) To provide incentives and/or support to encourage investments, and/or take
14 all steps necessary for the provision of affordable access to water supply
15 and sanitation services in unserved and underserved areas;
- 16 f) To ensure that water resources allocated to water service providers are used
17 efficiently to meet public demand;
- 18 g) To ensure fair, just and reasonable tariffs, rates and charges for water
19 supply and sanitation services;
- 20 h) To protect the legal and other interests of consumers of water supply and
21 sanitation services rendered by public and private sector licensees;
- 22 i) To establish an administrative process for economic regulation that is stable,
23 transparent and fair, giving due emphasis to technical, legal, environmental,
24 economic and financial considerations and with due regard to the
25 observance of due process at all times; and
- 26 j) To develop and maintain a national water utility database using the
27 geographic information design (GIS)
- 28 k) To establish a strong and independent economic regulatory body to ensure
29 consumer protection, promote good business practice and competition
30 among Service Providers and full public accountability to achieve greater
31 operational and economic efficiency.

1 Sec. 4. *Definition of Terms.* – The following terms used in this Act shall have
2 the meanings stated below:

- 3 a) *Bulk Water Suppliers* – shall refer to any entity, natural or juridical, whether
4 public or private, supplying or intending to supply large quantities of raw or
5 treated water to buyers who will use it for own consumption, such as
6 industrial companies, or for retail distribution to consumers, such as Water
7 Districts or subdivisions managing their own distribution network.
- 8 b) *Commission* – shall mean the Water Regulatory Commission.
- 9 c) *Existing Licensee* – shall mean any water service and/or sanitation service
10 provider granted by existing regulatory institutions issued to persons and
11 entities that are qualified to provide water supply and sanitation services for
12 a particular service area/s.
- 13 d) *Levels of Water Supply Service* – consistent with the definitions provided
14 under NEDA Board Resolution No. 12 (Series of 1995) shall mean as follows:
 - 15 1. *Level I (point source)* - a protected well or a developed spring with
16 an outlet but without a distribution system, generally adaptable for
17 rural areas where the houses are thinly scattered. A Level I facility
18 normally serves an average of 15 households.
 - 19 2. *Level II (communal faucet system or stand posts)* - a system
20 composed of a source, a reservoir, a piped distribution network, and
21 communal faucets. Usually, one faucet serves 4 to 6 households.
22 Generally suitable for rural and urban fringe areas where houses are
23 clustered densely to justify a simple piped system.
 - 24 3. *Level III (waterworks system or individual house connections)* - a
25 system with a source, a reservoir, a piped distribution network and
26 household taps. It is generally suited for densely populated urban
27 areas.
- 28 e) *License* – shall mean the Water Supply and/or Sanitation Services Operating
29 License that the Commission is authorized to grant and issue to Service
30 Providers.
- 31 f) *Licensee* – shall mean the Service Provider to whom a License is granted
32 issued by the Commission. or

- 1 g) *LWUA* – shall mean the Local Water Utilities Administration created under
2 Presidential Decree No. 198, as amended.
- 3 h) *MWSS* – shall mean the Metropolitan Waterworks and Sewerage System,
4 created by Republic Act 6234.
- 5 i) *NWRB* – shall mean the National Water Resources Board created by
6 Presidential Decree No. 424, as amended by Executive Order No. 124-A.
- 7 j) *Regulatory Units* – shall refer to the regulatory offices established under
8 Section 5 of this Act to issue Licenses authorizing the operation of Water
9 Supply and Sanitation Services; provide, review, determine, fix, and approve
10 water and sewerage tariffs, rates and charges that Licensees may impose;
11 and exercise such other functions and powers as may be provided
12 hereunder.
- 13 k) *Sanitation* – as used under this Act, refers only to sewerage, sanitation and
14 septage management.
- 15 l) *Service Area* – shall refer to the area covered by the water distribution
16 system, sewerage and septage management services.
- 17 m) *Service Provider* – shall refer to any entity, natural or juridical, whether
18 private or public, providing or intending to provide levels II & III water
19 supply, including bulk water suppliers; sewerage; and/or septage treatment
20 and disposal services for domestic/residential, industrial or commercial use.
- 21 n) *Sewerage* – shall refer to any system or network of sanitary pipelines,
22 ditches, channels or conduits including pumping stations, lift stations and
23 force mains, service connections including other constructions, devices or
24 appliances appurtenant thereof, which includes the collection, sanitary
25 piping transport, pumping and treatment of water-borne human or animal
26 waste removed from residences, buildings, institutions, industrial and
27 commercial establishments to point of sewerage treatment plant disposal.
- 28 o) *Septage* – shall refer to sludge produced on individual onsite wastewater
29 disposal systems, principally septic tanks and cesspools.
- 30 p) *Septage Management* – shall refer to the provision of proper collection,
31 septage treatment and disposal of septage

- 1 q) *Tariffs* – shall refer to such amounts which may be charged by Licensees of
2 Water Supply and/or Sanitation Services for their services based on
3 principles, standards, and guidelines established by the Commission.
- 4 r) *Water District* – shall refer to government-owned and controlled
5 corporations organized under Presidential Decree No. 198, as amended,
6 created primarily to acquire, install, operate, maintain and improve water
7 supply and distribution systems for domestic, industrial and municipal uses
8 of residents and to provide, maintain and operate waste water collection,
9 treatment and disposal facilities within the boundaries of the district.
- 10 s) *Water Supply and/or Sanitation Service* – refers to any activity comprising
11 of Levels II and III water supply including suppliers to subdivisions and
12 other Service Providers; sewerage; and septage treatment and disposal
13 services.

14 Sec. 5. *The Water Regulatory Commission.* – There is hereby created and
15 established an independent, quasi-judicial regulatory body to be named the Water
16 Regulatory Commission, hereinafter referred to as the “Commission”, which shall be
17 organized within one hundred twenty (120) days after the effectivity of this Act.

18 The Commission shall be an attached agency to the Office of the President.

19 The Commission shall have a Board of Commissioners, and shall be vested with
20 powers and functions, as conferred and set forth hereunder.

21 Sec. 6. *The Regulatory Units.* – The Regulatory Units of the Commission shall
22 be composed of the Provincial Regulatory Units and the Central Regulatory Unit. The
23 Provincial Regulatory Units shall be established by the Commission in accordance with
24 such rules, regulations, guidelines and standards as the Commission shall issue, and
25 as provided hereunder.

26 Moreover, the pertinent regulatory divisions or units of MWSS, NWRB and
27 LWUA are hereby transferred to the Commission, and they shall collectively comprise
28 its Central Regulatory Unit for water supply and sanitation services that

- 29 a) Provide services to more than one province;
30 b) are owned, operated and/or maintained by special economic zones and
31 Metro Manila concessionaires.

1 Sec. 7. *Powers and Functions of the Commission.* – The overall authority and
2 powers of the Commission shall cover and apply to all Service Providers, whether
3 private or public, providing or intending to provide levels II & III water supply,
4 including suppliers to subdivisions and/or other Service Providers; sewerage; and/or
5 septage treatment and disposal services for domestic/residential, industrial or
6 commercial use.

7 The Commission shall have the following powers and functions:

- 8 a) Provide the overall policy directions, strategies and targets to meet the goals
9 and objectives for water supply, sewerage and septage management.
- 10 b) Issue and promulgate rules, regulations and guidelines as may be necessary
11 to implement and enforce its powers and functions under this Act;
- 12 c) Set and enforce just and reasonable technical standards, classifications and
13 measurements of service;
- 14 d) Appoint the central and provincial regulators;
- 15 e) Establish rules and regulations to monitor, avoid and provide remedies for
16 any market power abuse or anti-competitive or discriminatory act or
17 behavior by or against any participant in the water supply and sanitation
18 sector. Upon finding that a market participant has engaged in, or fell victim
19 to such act or behavior, the WRC shall act to stop and/or redress the same.
20 Such remedies may, without limitation, include the imposition of price
21 controls, issuance of injunctions, requirement of divestment or
22 disgorgement of excess profits, invalidation of contracts and imposition of
23 fines and penalties pursuant to this Act.
- 24 f) Adopt and require that books, records and accounts be kept and maintained
25 accordance with the prescribed uniform accounting system;
- 26 g) Fix and determine proper and adequate rates of depreciation of properties
27 and equipment used in Water Supply and Sanitation Service/s;
- 28 h) Impose and collect annual levies determined as a percentage of gross
29 revenue accruing in relation to the licensed activities, and reasonable fees
30 and surcharges as may be necessary for achieving the purposes, powers
31 and functions of the Commission;

- 1 i) Require the submission reports of finances and operations, verified under
2 oaths by the owner or president and secretary of the Licensee;
- 3 j) Determine and require the monitoring and submission of such data,
4 statistics and other information from the Regulatory Units and any or all
5 licensees as may be necessary for the effective and efficient exercise of its
6 duties, functions, powers and responsibilities.
- 7 k) Investigate, *motu proprio* or upon complaint in writing, any matter
8 concerning the operation of the service and require that service be provided
9 in proper and suitable manner;
- 10 l) Impose penalties and fines against any Licensee or against its owners,
11 directors, officers, agents or representatives for any violation of this Act or
12 of the license, order, rule regulation or requirement issued by the
13 Commission;
- 14 m) Require any Licensee to pay the actual expenses incurred by the
15 Commission in any investigation if it shall be found that a Licensee violated
16 any provision of this Act or of the license, order, rule regulation or
17 requirement issued by the Commission;
- 18 n) Advise, apprise and coordinate with other relevant agencies of the national
19 or local government on any matter relating to Water Supply and/or
20 Sanitation Services;
- 21 o) Deputize agents, whether from the public or private sector, to assist in the
22 performance of any of the powers and functions of the Commission;
- 23 p) Upon appeal and after due hearing, appoint an interim or temporary
24 management committee to ensure continuity of service in cases a Licensee
25 fails to meet conditions of the license and the concerned Regulatory Unit
26 fails or refuses to appoint an interim management committee as provided
27 in the following section.
- 28 q) Appoint, hire and maintain adequate staff and personnel, advisers, and/or
29 consultants, with suitable qualifications and experience, as necessary;
- 30 r) Original and exclusive jurisdiction over all cases contesting rates, fees, fines
31 and penalties imposed by the Regulatory Units in the exercise of their
32 powers, functions and responsibilities, as set forth herein, and over all cases

- 1 involving disputes between and among participants or stakeholders in the
2 Water Supply and Sanitation services; and
- 3 s) Such other incidental powers and functions as may be necessary to attain
4 the objectives of this Act.

5 Sec. 8. *Powers and Functions of the Regulatory Units.* – The Regulatory Units
6 of the Commission shall have the following powers and functions:

- 7 a) Subject to the review and approval of the Commission, issue and
8 promulgate rules, regulations and guidelines as may be necessary to
9 implement and enforce its powers and functions under this Section;
- 10 b) Issue Licenses authorizing the operation of Water Supply and Sanitation
11 Services in any specified area or areas within the Philippines.
- 12 c) Impose fines, charges and other penalties upon any Provider and/or its
13 officers and stockholders who shall fail or refuse to register and/or obtain
14 a License prior to operation or commencement of business, as provided
15 hereunder.
- 16 d) Consistent with rules, guidelines, procedures and methodologies which
17 the Commission shall provide, review, determine, fix, and approve
18 proposed water and sewerage tariffs, rates and charges that Licensees
19 may impose upon their customers/consumers;
- 20 e) Appraise and value property and equipment used by Licensees in
21 providing water supply and sanitation service/s.
- 22 f) Enforce technical, financial and other performance standards set by the
23 Commission for licensees/utilities;
- 24 g) Respond to consumer complaints and ensure the adequate promotion of
25 consumer interests;
- 26 h) Investigate accidents directly or indirectly arising from or connected with
27 the maintenance or operation of the service, and make such order or
28 recommendation as the public interest may warrant;
- 29 i) Upon petition or *motu proprio* where in its determination public interest
30 so dictates, require the review and/or approval of contracts or
31 agreements that may impact on the tariff and rates of service provision
32 entered into by Service Providers;

- 1 j) Require the submission of reports, plans and other documents that set
2 out the performance targets of the licensees/utilities, and regular
3 accomplishment reports;
- 4 k) Impose and collect annual levies determined as a percentage of gross
5 revenue accruing in relation to the licensed activities, and reasonable
6 fees and surcharges as may be necessary for achieving the purposes,
7 powers and functions of the regulator;
- 8 l) Conduct benchmarking and monitor the performance of
9 licensees/utilities under their jurisdiction, and publish reports detailing
10 the results thereof, as may be necessary or required by the Commission;
- 11 m) Amend, modify, suspend or revoke any License issued by them, after
12 due notice and hearing, on any of the following grounds: 1. When the
13 facts and circumstances on the strength of which the license was issued
14 have been misrepresented or has materially changed; 2. Where the
15 Licensee has failed to meet or comply with terms, conditions and
16 performance targets - including but not limited to service expansion -
17 that may have been set in the license; 3. Where the Licensee is found
18 to be manifestly incompetent in the operation of or provision of Water
19 Supply and Sanitation services in its area; or 4. When the holder thereof
20 has violated or willfully refused to comply with any order, rule or
21 regulation of the Commission or any provision of this Act;
- 22 n) Appoint an interim management committee to ensure continuity of
23 service in case a licensee fails to meet conditions of the license; and
- 24 o) Submit performance plans and reports as required by the Commission.

25 Sec. 8. *Composition.* – The Commission shall be a collegial body composed of
26 five (5) full-time members composed of a Chairperson and four (4) members. The
27 Chairperson and the Commissioners who shall have the rank equivalent of cabinet
28 secretary and undersecretary, respectively, shall be appointed by the President.

29 All members of the Commission must be citizens and residents of the
30 Philippines, of good moral character, recognized integrity and competence in the field
31 of law, business, commerce, finance, accounting or public administration, water or
32 utility economics, management, physical or engineering services, hydrology and other

1 related services, with at least ten (10) years actual and distinguished experience in
2 their respective fields of expertise; Provided that out of the four members of the
3 Commission, at least one (1) shall be a member of the Philippine Bar with at least ten
4 years experience in the active practice of law, and at least one (1) shall be a certified
5 public accountant with at least ten years experience in active practice.

6 The term of office of the Chairperson and the Commissioners shall be seven (7)
7 years without reappointment. Of the first set of appointees, the Chairperson shall hold
8 office for seven (7) years and of the first four (4) Commissioners, two (2) shall hold
9 office for a term of seven (7) years and two (2) for a term of five (5) years. In case a
10 vacancy occurs before the expiration of the term of office, the appointment to such
11 vacancy shall only be for the unexpired term of the predecessor. The Chairperson and
12 the Commissioners shall enjoy security of tenure and shall not be suspended or
13 removed from office except for just cause as provided by law.

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

22 The Chairman of the Commission shall exercise general executive control and
23 supervision of the Commission and its members, staff and personnel, agents and
24 representatives.

25 The staff and personnel positions of the WRC shall be filled by regular
26 appointments in accordance with a staffing plan to be prepared by the Commission.
27 Within three (3) months from the creation of the WRC and the appointment of all
28 Members of the Commission, the Chairman shall submit for the approval by the
29 President of the Philippines the new organizational structure and plantilla positions
30 necessary to carry out the powers and functions of the Commission, including those
31 of the Central and Provincial Regulatory Units.

1 The Chairman and members of the Commission or any of their relatives within
2 the fourth civil degree of consanguinity or affinity, legitimate or common law, shall be
3 prohibited from holding any interest whatsoever, either as investor, stockholder,
4 officer or director, in any company or entity engaged in the business of transmitting,
5 generating, supplying or distributing any form of energy and must, therefore, divest
6 through sale or legal disposition of any and all interests in the water sector upon
7 assumption of office.

8 Sec. 9. *Executive Director*. – The WRC shall appoint an Executive Director who
9 shall head the WRC Secretariat, keep and maintain the official record and report of
10 the proceedings of the Commission, and have the authority to administer oaths in all
11 matters falling within the jurisdiction of the Commission.

12 The Executive Director shall be responsible for the effective implementation of
13 the policies, plans, programs, rules, regulations and directives of the Commission;
14 coordinate and supervise the activities of the different operating units under the
15 Commission; and perform such functions as may be assigned by the Chairperson
16 and/or other members of the Commission

17 Sec. 10. *WRC Secretariat* – The Commission shall also establish a Secretariat
18 which shall provide the Commission with technical and other support including, among
19 others:

- 20 a) Providing the necessary technical inputs and secretariat support to the
21 Commission to facilitate the conduct of its functions;
- 22 b) Coordinating with Regulatory Units to ensure proper implementation of the
23 rules, regulations and guidelines promulgated by the Commission
- 24 c) Monitoring and assessing activities of the Regulatory Units vis-a-vis their
25 respective annual performance plans and targets;
- 26 d) Maintaining a database on the WSS sector; and
- 27 e) Coordinating with other relevant agencies of the national or local
28 government on any matter relating to WSS.

29 Sec. 11. *Compensation and Other Emoluments*. – The compensation and other
30 emoluments for the members and personnel of the Commission shall be
31 exempted from the coverage of Republic Act No. 6758, otherwise known as
32 the “Salary Standardization Act”. For this purpose, the salaries and other

1 emoluments of the Chairperson, the Commissioners, and personnel of the
2 Commission shall be set based on an objective classification system, taking
3 into consideration the importance and responsibilities attached to the
4 respective positions, and shall be submitted to the President of the Philippines
5 for his approval.

6 *Sec. 12. Registration and Licensing of All Water Supply and/or Sanitation*
7 *Services* – All Water Supply and/or Sanitation Service Providers, including Bulk Water
8 Suppliers and those providing services to subdivisions and/or other Service Providers,
9 shall register with the Commission and, subject to such rules, guidelines, procedures
10 and other issuances as the Commission may issue, obtain a License to operate from
11 the appropriate Regulatory Units.

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

17 Unless otherwise provided herein or by the Commission, no public Water Supply
18 and/or Sanitation Service provider shall commence or conduct the business of
19 providing water supply and sanitation services without first obtaining a license.
20 Concession agreements and other contracts for water supply provision currently
21 existing shall remain valid and in force, unless otherwise invalidated by the
22 Commission where public interest so dictates, after due notice and hearing.

23 *Sec. 13. Conditions of License.* – The Commission and/or the concerned
24 Regulatory Unit, may impose such conditions in the issued License, as it may be deem
25 necessary, such as but not limited to:

26 Tariffs, rates and charges that may be imposed from its customers/consumers.

- 27 a) Term fixing the duration of the privilege.
- 28 b) Grounds for modification, suspension or cancellation of the License.
- 29 c) Minimum technical performance and service level standards.
- 30 d) Expansion targets and service level improvements over time.
- 31 e) Restrictions or conditions for transferability of the business or controlling
32 interest in the business.

- 1 f) Reportorial requirements and obligations of the grantee.
2 g) Submission to annual performance audit by the Commission or its duly
3 authorized representative(s).

4 The Commission shall specify the requirements and procedure for existing
5 holders of Certificate of Public Convenience/Certificates of Public Convenience and
6 Necessity issued by NWRB, and/or Conformance issued by LWUA, to convert their
7 existing certificates into Licenses issued by the Commission.

8 All existing providers of Water Supply and/or Sanitation Services without a legal
9 and valid Certificate of Public Convenience/Certificate of Public Convenience and
10 Necessity or Certificate of Conformance shall register with the Commission and apply
11 for a License within six (6) months from the effectivity of this Act.

12 *Sec. 14. Rights and Duties of Licensees. –*

13 a) Any person granted a License under this Act shall have the obligation to
14 ensure that its licensed activities are conducted so as to further the public
15 interest and, in particular, that they:

- 16 1. Foster the maintenance and development of efficient, coordinated,
17 and viable operation of their licensed activities;
- 18 2. Ensure that their Water Supply and/or Sanitation Services are
19 provided in a diligent, conscientious and workmanlike manner, in
20 accordance with applicable laws and the standards and practices set
21 by the Commission and generally accepted in the Philippine and inter-
22 water supply and/or sanitation industry;
- 23 3. Comply with drinking water quality requirements and other
24 requirements and standards that may be set by the Commission; and
- 25 4. Not abandon its service without notice to and approval by the
26 Commission.

27 b) Any person granted a License under this Act shall, to the extent allowed by
28 law and specified in the License, have the right to acquire or lease land and
29 lay or repair water or sanitation mains and other relevant facilities in public
30 ways, when required to fulfill their obligations.

31 c) Subject to any condition or limitation laid down in the License, a Licensee
32 may disconnect the supply of Water Supply and/or Sanitation services to a

1 customer if such customer defaults in the payment of amount(s) due to that
2 Licensee in respect of water supplied or sanitation services provided, or for
3 acts of pilferage pursuant to Sections 8, 9, 10, and 11 of Republic Act No.
4 8041, otherwise known as the "Water Crisis Act of 1995."

- 5 d) Any License issued under this Act shall contain provisions designed to
6 ensure that Licensees;
- 7 1. Publish the Tariff and other charges approved by the Commission,
8 and other terms and conditions imposed by the Commission for the
9 provision of Water Supply and/or Sanitation Services.
 - 10 2. Prepare, within three (3) months from the issuance of a License, in
11 consultation with its customers, a customer service code specifying
12 the manner and procedure for: (a) metering, billing, and collection
13 of the Licensee's approved tariff and other charges, (b) disconnection
14 or suspension of service in case of non-payment of tariffs and/or
15 other charges, or acts of pilferage, and (c) recommendation and
16 recovery of arrears in tariffs and other charges; and
 - 17 3. Maintain financial accounts in accordance with the manner and
18 procedure specified in the License and as may be required by the
19 Commission.
- 20 e) Maintain and upon request by anyone during regular office hours, promptly
21 make available for scrutiny and inspection such data, statistics and other
22 information, as may be required by the Commission.

23 Sec. 15. *Setting Tariffs, Rates and Other Charges.* – Regulatory Units shall
24 establish tariffs, rates and other charges which are fair and reasonable and which
25 provide for the economic viability of the service and a fair return on their investments
26 considering the prevailing cost of capital in the domestic and international markets.

27 Such tariffs, rates and charges shall be based on and consistent with a rate-
28 setting methodology that the Commission shall, after due public consultation, define
29 and publish in consecutively for three weeks in newspapers of general circulation,
30 taking into account the following, among others:

- 31 a) reasonable and prudent capital and recurrent costs of providing the service
32 including a reasonable rate of return on capital;

- 1 b) efficiency of the service;
- 2 c) incentives for enhancement of efficiency;
- 3 d) willingness to pay of the customers/consumers;
- 4 e) equity considerations; and
- 5 f) administrative simplicity

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

8 *Sec. 16. Promotion of Innovative Schemes to Improve Efficiency and*
9 *Management of Systems.* – The Commission shall promote innovative schemes,
10 including but not limited to the consolidation and/or integration of Water Supply
11 and/or Sanitation Services and/or Providers in the same Service Area, where it will
12 result in improved efficiency, services expansion and/or lowering of costs.

13 To this end, the Commission shall establish and issue such rules and guidelines
14 as may be necessary to (a) create incentives to encourage efficiency and service
15 expansion, (b) establish the standards and targets that service providers are required
16 to meet, and (c) set the fines and penalties that would be imposed for failure to meet
17 such standards and targets.

18 *Sec. 17. Twelve percent (12%) investment capital.* – Pursuant to
19 Commonwealth Act No. 146, as amended, otherwise known as the “Public Service
20 Act,” shall further provide that any and all government agency/agencies or such
21 government agency/agencies’ private sector concessionaires, agents, operators,
22 contractors and the like delivering public services to the people must be subjected to
23 the Twelve (12%) cap financial formula on Return of Investment.

24 Furthermore the Commission on Audit (COA) is hereto designated as the sole
25 and official Auditor to determine the Actual Physical Investments of such government
26 agency/agencies or private sector concessionaires, operators, agents, contractors and
27 the like delivering public to the people for purposes of computing the Twelve (12%)
28 Return on Investment Cap.

29 *Sec. 18. Proceedings Before the Commission.* – For the purpose of any
30 investigation, inquiry or proceeding, the Commission shall have the requisite power
31 to:

- 32 a) Issue subpoena duces tecum and subpoena duces tecum ad testificandum;

- 1 b) Appoint a Commissioner to hear and receive evidence on behalf of the
2 Commission;
3 c) Cite any person or party for contempt for refusal to appear, testify or comply
4 with an order of the Commission on any matter that is the subject of
5 investigation, inquiry or proceeding before the Commission.

6 Sec. 19. *Orders and Decisions of the Commission.* – The orders, resolutions and
7 decisions of the Commission, which must be reached as promptly and expeditiously
8 as reasonably and fairly possible, shall be in writing and shall state clearly and
9 distinctly the facts and law on which it is based. The Commission shall publish and
10 make available for public inspection all decisions and final orders in the adjudication
11 of contested cases or applications.

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

26 Sec. 21. *Interface with Other Sector Regulators.* –

- 27 a) The Department of Environment and Natural Resources shall
28 continue to have the primary authority and responsibility for
29 protecting the environment and the quality water sources from waste
30 and pollution and shall promulgate rules, regulations, and standards
31 in this regard.

- 1 b) The Department of Health shall have primary authority and
2 responsibility for determining and enforcing drinking water quality
3 and sanitation standards. The Commission shall coordinate with the
4 DOH in this regard, and shall ensure the consistency of the standards
5 and targets that it will set for compliance by licensees with the DOH's
6 mandated standards.
- 7 c) The Commission shall coordinate with the NWRB for water allocation
8 and data collection, the local government units for development
9 projects relating to water supply and sanitation, and the Department
10 of Public Works and Highways for flood control and the harnessing
11 and impounding of water.

12 Sec. 22. *Transfer of Rights and Obligations.* — The Commission shall, by virtue
13 of this Act, be subrogated to all the rights, and assume all the obligations, of the Water
14 Utilities Division of the NWRB, the Regulatory Offices of MWSS and LWUA, the
15 Regulatory Units of all special economic zones, and all other government agencies and
16 units whose powers and functions have been transferred to the Commission. The
17 transfer of powers and functions in the Department and agencies attached thereto, as
18 herein provided for, shall take effect within six (6) months after the effectivity of this
19 Act. The foregoing transfer of powers and functions shall include all applicable funds,
20 personnel, records, property and equipment, as may be necessary. The same shall
21 apply to agencies which have been attached to the Department by virtue of this Act.

22 As such, all offices under the Department and all attached agencies affected by
23 the provisions of this Act shall continue to function under their present mandates until
24 transition is effected as provided for under this Act. The heads of the agencies shall
25 continue to serve until replaced as provided for under this Act. All rights and
26 obligations of the said government agencies are hereby transferred to and assumed
27 by the Commission and shall be acted upon in accordance with the rules and
28 regulations of the Commission on Audit and other pertinent laws, rules, and
29 regulations.

30 Sec. 23. *Separation from Service.* — Employees separated from government
31 service as a result of this Act shall be entitled to the benefits which they may receive
32 under existing laws, rules and regulations.

1 Sec. 24. *Appropriations and Use of Fees, Charges and Penalties.* – The initial
2 budgetary requirements of the Commission of three hundred million pesos
3 (P300,000,000.00) is hereby appropriated. All fees, fines, penalties collected by the
4 Commission and its Regulatory Units shall not be retained by the Commission, but will
5 be remitted to the National Treasury and shall accrue to the general funds. Such funds
6 necessary for the continuous and effective operation of the Commission shall be
7 included in the annual General Appropriations Act.

8 Sec. 25. *Transparency Clause.* – Final decisions, orders and rulings of the
9 Commission shall be published on the official website. Records of public proceedings
10 shall be made available to the public.

11 Sec. 26. *Effectivity.* – This Act shall take effect immediately upon its approval.
12 The Chairman of the Commission shall, after due consultation with stakeholders,
13 promulgate such other rules and regulations as may be necessary and appropriate to
14 implement this Act.

15 Sec. 27. *Separability Clause.* – In the event that any provision of this Act is
16 declared unconstitutional, invalid, or illegal, the constitutionality, validity, or legality of
17 the remainder of the provisions of this Act shall not be affected thereby.

18 Sec. 28. *Repealing Clause.* – The provision with respect to fixing of water rates
19 and sanitation service fees of Section 3 (h) and Section 12, and regulation of
20 waterworks and deep wells of Section 3 (n), regulation of waterworks and sanitation
21 systems in privately owned subdivisions of Section 3 (p) of Republic Act 6234, as
22 amended, is hereby repealed or modified accordingly.

23 Section 62 on regulation and Section 63 on rate review of Presidential Decree
24 198, as amended by LOI700 (1978), LOI 744 (1978), EO 124 (1987), EO 123 (2002),
25 is hereby repealed or modified accordingly.

26 The provisions of the Local Government Code and its Implementing Rules and
27 Regulations of Republic Act No. 7160 which allow local government units to fix the
28 rates of water utilities owned, operated and maintained by them within their
29 jurisdiction is hereby repealed or modified accordingly.

30 Section 13 (b) on regulation of enterprises in ECOZONE of Republic Act No.
31 7916 as amended, also known as the Special Economic Zone Act of 1995, is hereby
32 repealed or modified accordingly.

1 "Provisions under Section 69 of Republic Act No. 9593 or the Tourism Act of
2 2009 and its Implementing Rules and Regulations which mandates the Tourism
3 Infrastructure and Enterprise Zone Authority to grant franchises, supervise the
4 operation of public utilities, and register, monitor and regulate enterprises within
5 Tourism Enterprise Zones, are hereby repealed or modified accordingly."

6 Commonwealth Act No. 146, as amended, otherwise known as the "Public
7 Service Act," and all laws, decrees, rules and regulations, or portion thereof,
8 inconsistent with this Act are hereby repealed or modified accordingly.

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

11 Sec. 29. *Effectivity Clause.* – This Act shall take effect fifteen (15) days following
12 the completion of its publication in a national newspaper of general circulation

13

14 *Approved,*