

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. **6404**



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

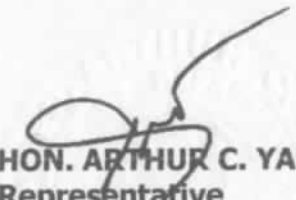
In the 2014 Annual Poverty Indicators Survey (APIS), it was reported that 14.5 percent of families directly use unsafe water from unprotected wells, springs, rivers, ponds, lakes, rain water, tanker trucks or peddlers. The same study also reported that while 94.1 percent of families have access to sanitary toilet facilities. Unfortunately, the study failed to point out that less than 10 percent of the country's population have the benefit of proper wastewater treatment facilities. The lack of safe water and poor wastewater treatment means millions of Filipinos are susceptible to poor hygienic practices leading to over 11,000 deaths¹ per year from diarrhea and other related diseases.

In 2015, the National Water Resources Board, the Local Water Utilities Administration and the Department of Interior and Local Government, conducted a nationwide survey on water utilities. The survey identified over 4,700 Water Service Providers in the country serving less than 40% of the population with direct household connections². This number indicates that mere than 60 million Filipinos have to go outside their homes to access water for cooking, bathing or drinking.

This public service discrepancy is primarily due to the lack of a lead government agency responsible for water and sanitation in the country. The Philippine water and sanitation sector is characterized by the lack of a national water and sanitation strategy and a fragmented regulatory environment. The National Water Resources Board regulates private utilities, the Local Water Utilities Administration regulates water districts, the Metropolitan Waterworks and Sewerage System (MWSS) regulates its concessionaires, the Philippine Economic Zone Authority regulates water operators in economic zones, and LGU-run water utilities are unregulated.

With the creation of a Water Regulatory Commission (WRC), the country will finally have an independent regulatory agency with the responsibility of ensuring water and sanitation for every Filipino. The WRC shall consolidate the economic regulatory powers of the various water agencies into one cohesive national body, creating a regulatory environment conducive to investment while protecting the interests of consumers.

In view of the foregoing, immediate passage of this bill is earnestly sought.


HON. ARTHUR C. YAP
Representative

¹ World Bank – Water Sanitation Program 2008

² Listahang Tubig, NWRB listahangtubig.clouppapp.net

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**"An Act Rationalizing the Economic Regulation of Water Utilities,
Creating the Water Regulatory Commission and for other Purposes"**

1 **Section 1. Short Title.** Water Regulatory Commission Act of _____.

2 **Section 2. Declaration of National Policy.** It is hereby declared the policy of the State to pursue
3 and foster, in an orderly, rational, efficient, and vigorous manner, the attainment of complete
4 coverage over the country of water supply and sanitation services at reasonable rates and, in this
5 connection, encourage the participation and investment of the private sector, both domestic and
6 foreign, in the provision of piped-water supply and sanitation services. For this purpose, there is
7 a need to establish a single agency of government to be invested with ample powers for the
8 rational and effective economic regulation of all water supply and sanitation systems.

9 **Section 3. Definition of Terms.** As used under this Act, the following words or terms shall have
10 the following meanings, unless a different meaning clearly appears from the context:

- 11
- 12 (a) "Certificate of Public Convenience (CPC) /Certificate of Public Necessity (CPN)"
13 shall mean a formal written authority to sell water. A CPN is issued to an
14 applicant for the operation of a public service wherein a franchise is required by
15 law.
- 16
- 17 (b) "Commission" shall mean the Water Regulatory Commission.
- 18
- 19 (c) "Commissioner" shall mean persons appointed in accordance with the provisions
20 of this Act.
- 21
- 22 (d) "Existing Licensee" shall mean any water service and/or sanitation service
23 provider granted by existing regulatory institutions such as the NWRB, LWUA,
24 MWSS, PEZA, issued to persons and entities that are qualified to provide water
25 supply and sanitation services for a particular service area or areas.
- 26
- 27 (e) "Level I (point source)" shall mean a protected well or a developed spring with
28 an outlet but without a distribution system as it is generally adaptable for rural
29 areas where the houses are thinly scattered serving an average of 15 households
30 with people having to fetch water from up to 250 meters distance.
- 31
- 32 (f) "Level II (communal faucet system or stand post)" shall mean a piped system
33 with communal or public faucets usually serving 4-6 households.
- 34

- (g) "Level III (waterworks system)" shall mean a fully reticulated system with individual house connections based on a daily water demand of more than 100 liters per person.
- (h) "Licensee" shall mean the Water Supply and/or Sanitation Services operating licenses that the Commission is authorized to grant and issue to persons or entities that are qualified to provide Water Supply and/or Sanitation Services for a particular Service Area or Areas.
- (i) "LWUA" shall mean the Local Water Utilities Administration created under PD No. 198 as amended.
- (j) "NWRB" shall mean the National Water Resources Board created by Presidential Decree No. 424, as amended by Executive Order No. 124-A.
- (k) "MWSS" shall mean the Metropolitan Waterworks and Sewerage System, created by Republic Act 6234.
- (l) "PEZA" shall mean the Philippine Economic Zone Authority, created by Republic Act 7916.
- (m) "Regulatory Units" shall mean the regulatory offices established under Section 5 of this Act to issue Licenses authorizing the operation of Water Supply and Sanitation Services; provide, review, determine, fix and approve water and sewerage tariffs, rates, charges that Licensees may impose; and exercise such other functions and powers as may be provided hereunder.
- (n) "Sanitation Service" shall mean a service involving the collection of effluent and sludge from human waste and greywater from residences and establishments utilizing a sanitation system through pipes and structures.
- (o) "Sanitation System" shall mean an infrastructure system that collects, treats, and disposes or re-uses effluents and sludge, and may include but is not limited to other systems such as sewerage, septage or combined drainage interceptor systems.
- (p) "Service Area" shall mean to the territory or area of operations with respect or which a Licensee from the Commission to provide Water Supply and/or Sanitation Services is applied for or granted.
- (q) "TIEZA" shall mean the Tourism Infrastructure Zone Authority, created by Republic Act 9593.
- (r) "Tariffs" shall mean to such amounts which may be charged by Licensees of Water Supply and/or Sanitation Services for their services based on principles, standards, and guidelines established by the Commission.
- (s) "Water District" shall mean a government-owned and controlled corporation organized under Presidential Decree No. 198, as amended, created primarily to acquire, install, operate, maintain and improve water supply and distribution systems for domestic, industrial and municipal uses of residents and to provide, maintain, and operate waste water collection, treatment and disposal facilities within the boundaries of the district.
- (t) "Water Supply Service" shall refer to the provision of water supply through the use of piped water distribution systems.

Section 4. The Water Regulatory Commission. (1) For purposes of carrying out and effecting the declared policy provided for in Section 2 above, there is hereby created and established an

independent Water Regulatory Commission, hereafter referred to after as the Commission, which shall be organized within one hundred twenty (120) days after the effectivity of this Act. The Commission shall execute the power and functions herein vested and conferred upon it in such a manner as will, in its judgment, aid to the fullest possible extent in carrying out its objectives as set forth below.

(2) The Commission shall be an attached agency of the Office of the President. For purposes of this section, the relationship between the Commission as an attached agency of the Office of the President shall be limited only to coordination and/or consultation by the Commission with the Office of the President on the latter's general policy framework for Water Supply and Sanitation Services.

Section 5. *The Regulatory Units.* The Regulatory Units of the Commission shall be composed of the Regional Regulatory Units and the Central Regulatory Unit.

The Regional Regulatory Units shall be established by the Commission in accordance with such rules, regulations, guidelines and standards as the Commission shall issue, and as provided hereunder.

Moreover, the pertinent regulatory units of the MWSS, NWRB and LWUA are hereby transferred to the Commission, and they shall collectively comprise its Central Regulatory Unit for water supply and sanitation services that are owned, operated and/or maintained by public and private sector Licensees (including those for the special economic zones, and Metro Manila concessionaires), and for other institutions appropriate for the Central regulatory unit.

Section 6. *The Objectives of the Commission.* The Commission shall have the following objectives:

- (a) to promote the expansion, improvement and efficient provision of Water Supply and Sanitation Services throughout the Philippines.
- (b) to provide an environment conducive to the adequate financing of Water Supply and Sanitation Services provided by public and private sector Licensees in order to facilitate financially viable Water Supply and Sanitation Services.
- (c) to protect the legal and valid interests of customers/consumers of Water Supply and/or Sanitation Services.
- (d) to promote efficient competition in the supply of Water and Sanitation Services in order to benefit customers/consumers.
- (e) to develop and maintain the national water utility database.

Section 7. *Powers and Functions of the Commission.* The Commission shall have the following powers and functions:

- (a) to formulate rules and regulations, strategies and targets to facilitate and rationalize the expansion, improvement, and efficient provision of Supply and Sewerage Services throughout the country.
- (b) to formulate tariffs for Water Supply and/or Sanitation Services taking into account, among others, the following:
 - 1) capital and recurrent cost of providing the service including a reasonable rate of return on capital.
 - 2) efficiency of the service.

- 153 3) incentives for enhancement of efficiency, including demand side
154 management.
155
156 4) willingness to pay of customers/consumers.
157
158 5) equity considerations.
159
160 6) administrative simplicity.
161
- 162 (c) to approve and regulate the Tariffs to be charged by Licensee of Water Supply
163 and/or Sanitation Services, including local government units; thereby repealing
164 Section 154 of RA 9160 of the Local Government Code.
- 165 (d) to regulate persons or entities, whether from the public or private sector, that
166 provide Water Supply and/or Sanitation Services.
- 167 (e) to issue, grant, modify, monitor, enforce, suspend and/or cancel, prospective or
168 existing licensees for Water Supply and/or Sanitation Services, penalties to be
169 imposed for administrative violations thereof, and make decisions and
170 determinations in connection therewith. Such penalties may be decided by the
171 Commission and may include the suspension/revocation of a license. Where
172 necessary, the Commission may delegate the management of the licensee through
173 a receivership mode.
- 174 (f) to require the monitoring and submission of utility data, statistics and other
175 information from all licensees as may be necessary for the effective and efficient
176 exercise of its duties, functions, powers, and responsibilities.
- 177 (g) to disseminate and publish comparative information on process and service
178 performance of Licensees of Water Supply and/or Sanitation Services.
- 179 (h) in the exercise of its powers and functions under this Act, to take into account
180 Licensee's service targets and performance against such targets in respect of
181 consumer service standards regarding water pressure, minimum flow rates,
182 connections and billing and metering requirements and procedures, among others.
- 183 (i) to provide a system for complaints and appeals relating, but not limited to: (1)
184 Tariffs set or collected for Water Supply and/or Sewerage Services; (2) the quality
185 of services provided by said Licensees; and (3) the adequate and/or equitable
186 distribution and reliability of Water Supply and/or Services.
- 187 (j) Investigate, motu proprio or upon complaint in writing, any matter concerning the
188 service and require the Licensee in writing to undertake immediate
189 remedial/corrective measures.
- 190 (k) to impose and collect an annual levy on all Licensees determined as a percentage
191 of the revenue accruing in relation to the licensed activities to be determined by
192 the Commission, and reasonable fees, surcharges, and fines from Licensees of
193 Piped-Water Supply and/or Sewerage Services to the extent necessary for
194 achieving the purposes, powers and functions of the Commission.
- 195 (l) to advise, apprise and coordinate with other relevant agencies of the national or
196 local government on any matter relating to Piped-Water Supply and/or Sewerage
197 Services.
- 198 (m) to deputize agents whether from public or private sector, to assist in the
199 performance of any powers and functions of the Commission.

- (n) to appoint, hire, and maintain adequate staff and personnel, advisers, and/or consultants, with suitable qualifications and experience, as necessary.
- (o) to conduct inquiries on matters relating to water supply or sanitation disposal.
- (p) to provide a system for the settlement of disputes between or among the Licensees.
- (q) to issue and promulgate rules and regulations necessary to implement, perform and effect its aforementioned powers and functions.
- (r) Such other incidental powers and functions as may be necessary to attain the objectives of this Act.

Section 8. Powers and Functions of the Regulatory Units. The Regulatory Units of the Commission shall have the following powers and functions:

- (a) Subject to review and approval of the Commission, issue and promulgate rules, regulations, and guidelines as may be necessary to implement and enforce its powers and functions under this Section.
- (b) Issue licenses authorizing the operation of Water Supply and Sanitation Services in a specified area.
- (c) Impose fines, charges, and other penalties upon any water service provider and/or 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.
- (d) 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.
- (e) Appraise and value property and equipment used by Licensees in providing water supply and sanitation services.
- (f) Enforce financial, technical, and other performance standards set by the Commission for licensees/utilities.
- (g) Respond to consumer complaints and ensure adequate protection of consumer interests.
- (h) 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.
- (i) Require the submission of reports, plans, and other documents that set out the performance targets of licensees/utilities, and regular accomplishment reports.
- (j) Impose and collect annual levies determined as a percentage of gross revenue accruing in relation to the licensed activities, and reasonable fees and surcharges as may be necessary for achieving the purposes, powers, and functions of the regulator.
- (k) Conduct benchmarking and monitor the performance of licensees/utilities under their jurisdiction, and publish reports detailing the results thereof, as may be necessary or required by the Commission.

(l) Amend, modify, suspend or revoke any License issued by them, after due notice and hearing, on any of the following grounds:

- (1) when the facts and circumstances on which the license was issued have been misinterpreted or has materially changed.
- (2) when the Licensee has failed to meet or comply with terms, conditions and performance targets – including but not limited to service expansion – that may have been set in the license.
- (3) where the Licensee is found to be manifestly incompetent in the operation of or provision of Water Supply and Sanitation Services in the area; or
- (4) when the holder thereof has violated or willfully refused to comply with any order, rule or regulation of the Commission or any provision of this Act.

(m) Appoint an interim management committee to ensure continuity of service in case a licensee fails to meet conditions of the license.

(n) Submit performance plans and reports as required by the Commission.

Section 9. Composition. (a) The Commission shall be a collegial body composed of five (5) full-time members composed of a Chairperson and four (4) members, who shall be appointed by the President of the Philippines. All members of the Commission must be citizens and residents of the Philippines, at least thirty five (35) years of age, and of good moral character, recognized integrity and competency in the field of law, business, commerce, finance, accounting or public administration, water or utility economics, management, physical or engineering services hydrology and other related services, with at least five (5) years actual and distinguished experience in their respective fields of expertise.

Provided, further, that upon the expiration of his term, each member of the Commission shall serve as much until his successor shall have been appointed and qualified; *Provided, moreover,* that any appointment to fill a vacancy in the Commission that arises prior to the expiration of the term of a member of the Commission shall only be for the unexpired term portion of such term, and *Provided, finally,* that no member of the Commission shall be appointed for more than two (2) consecutive or partial terms.

The term of office of each member of the Commission shall be five (5) years; *Provided, however,* that among members of the Commission first appointed by the President; a) the Chairman shall serve for a period of five (5) years, b) three Associate Commissioners (Legal and Strategic Relations, Policy and Planning, and Economic Regulation) shall serve three (3) years, and c) one other Associate Commissioner for Administration and Finance shall serve for two (2) years, as fixed in their respective appointments.

The Commission shall meet as often as may be necessary on such day or days as the Chairman may fix. The presence of at least two (2) member of the Commission shall be necessary of any resolution, decision or order.

The Chairman shall exercise general executive control, direction and supervision of the work, business, and operation of the Commission and its member, staff and personnel, agents and representatives.

The Chairman and four (4) Associate Commissioners shall have a rank of Secretary and undersecretary, respectively, of an Executive Department of the national government. The salary of the Chairman and Associate Commissioners shall be fixed by the President of the Philippines commensurate to the importance and responsibility attached to such positions and shall be subject to periodic review no more than every two (2) years. The Chairman and Associate Commissioners shall be exempt from existing, rules, regulations on compensation, position, classification, and qualification standards. The President shall endeavor to make the salaries of the Commissioners conform as closely as possible with the principles under Republic Act No. 6758

entitled "An Act Prescribing a Revised Compensation and Position Classification System in the Government and Other Purposes," as the same way may be suspended from time to time.

Subject to the immediately preceding paragraph, the pertinent civil service laws, rules and regulations of the Philippines shall be applicable to the Chairman, Associate Commissioners, and other personnel of the Commission.

Section 10. Qualifications. All members of the Commission must be citizens and residents of the Philippines. In addition, the members shall be of good moral character, at least thirty five (35) years of age, and of recognized competence in the field of business, commerce, finance, accounting or public administration, water or utility economics, management, physical, or engineering services, hydrology and other related services, or law.

The qualifications of the members of the Commission shall be defined in the Implementing Rules and Regulations of this law.

Section 11. Executive Director. The Commission shall appoint an Executive Director who shall provide an official record and report of the proceedings of the Commission and have the authority to administer oaths in all matters falling within the jurisdiction of the Commission. The Executive Director shall be responsible for the effective implementation of the policies, rules and directives promulgated by the Commission; coordinate and supervise activities of the different operating units that may be created by the Commission; and perform such functions as may be assigned to the Executive Director by the Chairman and/or members of the Commission.

The Commission shall appoint a technical staff, including an administrative or support staff, as maybe necessary to assist the Commission in fulfilling its objectives and in exercising its powers and functions under this Act. In this connection, the Commission shall employ persons with legal, economic, customer service, financial accounting and technical expertise.

Sec. 12. Staffing. The staff and personnel positions in the Commission herein created shall be filled by regular appointments in accordance with a staffing plan prepared by the Chairman of the Commission.

Section 13. Power to Obtain Information and Documents. The Commission may require that a Licensee or any other person shall provide the Commission with any information that may be reasonably necessary for it to attain its objectives and/or to carry out its powers and functions under this Act. For purposes of this section, the information required by the Commission may include any document, plan, electronic file, record and other material.

Any requirement for information must be made in a written notice that identifies the information or document and that specifies:

(a) when requirement must be complied with.

(b) in what form the information or a copy of the document is to be given to the Commission.

Any person who, without lawful excuse, fails to comply with any requirement for information contained in a notice issued to him under this Section shall be subject to administrative sanction by the Commission. It is a lawful excuse for purposes of this Section that compliance may tend to incriminate the person liable to a penalty for any other offense.

A person must not, in purported compliance with any requirement or order of the Commission, knowingly give to the Commission information that is false or misleading.

A person shall not be liable in any way for any loss, damage or injury suffered by another person because of giving, in good faith, of a document or information to the Commission under this Section.

Section 14. *Application for Licenses for Water Supply and/or Sanitation Services.* All persons and public or private entities intending to engage in the provision of Water Supply and/or Sanitation Services, including but not limited to operators of privately-owned water supply systems, local government managed utilities, barangay waterworks associations, water districts, cooperatives, etc., shall be required to apply for and obtain a License from the Commission prior to their operation of the relevant Water Supply and/or Sanitation Services.

An application for a license of Water Supply and/or Sanitation Services shall, in addition to such information as may be prescribed by the Commission, contain details of:

(a) the service for which the license is being sought.

(b) the Service Area, including location maps, within which the services will be provided.

Service providers operating under existing agreements with MWSS, local government units, and special economic and freeport zone authorities shall register with the Commission and, during the validity of such agreement, shall be deemed duly licensed to provide services consistent with the terms and conditions of such existing agreements. Provided that, the aforesaid service provider shall be regulated by the Commission or the appropriate regulatory unit in accordance with the terms and conditions of such existing agreements. Provided finally that, any extension or renewal of such existing agreement shall be subject to the review and approval of the Commission.

Section 15. *Licenses do not Grant Exclusively.* Except for Service Areas with respect to which exclusive rights to provide Water Supply and/or Sanitation Services are granted under existing laws, licensees do not have the exclusive right to provide Water Supply and/or Sanitation Services within a Service Area and, consequently, the Commission may issue one, two or more licenses for operators within any existing or proposed Service Area(s).

Section 16. *Licensees for Water Supply and/or Sanitation Services.* License(s) issued by the Commission shall include provisions, among others on:

(a) the right to provide and operate Water Supply and/or Services in a specified Service Area or Areas.

(b) the right to charge water and sanitation tariffs as determined and approved by the Commission.

(c) the term or duration of the License, as determined by the Commission.

(d) restrictions on or conditions for the transferability or assignment shall be subject to the prior approval of the Commission.

(e) restrictions on or conditions for the sale or disposition of the business which is the subject of a License, or the transfer of a controlling interest in such a business, which sale, disposition, or transfer shall require the prior approval of the Commission.

(f) grounds for the modification of any of the provisions of, or the suspension or cancellation of, the license and the procedure therefore.

(g) the nature of services to be provided, the minimum standards for service efficiency such as standards on: (1) water pressure; (2) minimum flow rates; (3) connections; and (4) sewerage discharge, billing and metering requirements, and sanctions for failure to comply with the standards set.

(h) the tariffs to be charged by the Licensee and the basis for the variance of the Tariffs.

422 (i) the reporting requirement of Licensees.

423
424 The Commission shall approve tariffs which are fair and reasonable and which allows for economic
425 viability of the operations and businesses of the Licensee, including reasonable return on their
426 investments considering the prevailing costs of capital in the domestic and international markets.

427
428 The Commission shall promulgate the rules, guidelines and standards to be applied in determining
429 who, among two (2) or more competing applicants, should be awarded the License for a specific
430 Service Area, based on technical, financial, economic and organizational considerations,
431 managerial capacity, and past record and experience in the provision of Water Supply and/or
432 Sanitation Services, including the following guidelines and procedures.

433
434 All holders of a license shall be subject to an annual performance audit by the Commissioner or
435 its designated agent(s).

436
437 The Commission shall specify the requirements and procedures for existing holders of Certificates
438 of Public Convenience/Certificates of Public Convenience and Necessity issued by NWRB and other
439 Certificates issued by LWUA to convert their existing certificates into Licenses issued by the
440 Commission. Henceforth, no further Certificates of Public Convenience/ Certificate of Public
441 Convenience and Necessity or LWUA Certificates shall be issued by the NWRB and LWUA,
442 respectively.

443
444 All existing providers of Water Supply and/or Sanitation Services without a valid and legal
445 Certificate of Public Convenience/ Certificate of Public Convenience and Necessity or Certificate
446 of Conformance including all LGU-run utilities shall have twelve (12) months from the effectivity
447 of this Act to apply for the appropriate License from the Commission.

448 **Section 17. Procedure for Granting of Licenses.** The Commission shall ensure that the granting
449 of a License under this Act is carried out fairly, transparently, and without undue discrimination.

450
451 The Commission shall prescribe in appropriate regulations the procedure and requirements to be
452 followed in respect of the granting of a License, such regulations shall include:

- 453
454 (a) the qualifications required of applicants for a License.
- 455
456 (b) the application procedure to be followed by all applicants, including
457 arrangements for the publication of details of all applications received by the
458 Commission.
- 459
460 (c) the procedure by which the Commission will consider applications, including the
461 consideration of all comments and objections lodged with respect to applications.
- 462
463 (d) the procedure by which the Commission shall reach a determination with respect
464 to all such applications.

465
466 **Section 18. Rights and Duties of Licensees.** Any person granted a License under this Act shall
467 have the duty to ensure that its licensed activities are conducted so as to further the public
468 interest, and in particular, that they:

- 469
470 (a) foster the maintenance and development of efficient, coordinated and viable
471 operation of their licenses activities.
- 472
473 (b) ensure that their Water Supply and/or Sanitation Services are provided in a
474 diligent, conscientious and workmanlike manner, in accordance with applicable
475 laws and standards and practices set by the Commission and generally accepted
476 in the Philippine and international water supply and/or sanitation industry.
- 477
478 (c) comply with drinking water quality requirements.
- 479

- (d) pay appropriate compensation in accordance with procedures laid down in any relevant statute or in regulations promulgated or issued by the Commission if, in laying or repairing a water and/or sewerage main or relevant facility, a Licensee should injure any person and/or damage any property.

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

Subject to any condition or any limitation laid down in the License, a Licensee may disconnect the supply of Water Supply and/or Sanitation Services to a customer if such customer defaults in the payment of amount(s) due to that Licensee in respect of water supplied or sanitation services, or for acts of pilferage pursuant to Sections 8, 9, 10, and 11 of Republic Act No. 8041 otherwise known as the "Water Crisis Act of 1995."

Any License issued under this Act shall contain provisions designed to ensure that Licensees:

- (a) Publish Tariff and other charges approved by the Commission, and other terms and conditions imposed by the Commission for the provision of Water Supply and/or Sanitation Services.
- (b) Prepare within three (3) months from the issuance of a Water Supply and/or Sanitation License, and make available for inspection customer, codes of practice specifying the manner and procedure for: (1) metering, billing, and collection of the Licensee's approved Tariff and other charges, (2) disconnection or suspension of service in case of non-payment of Tariffs and other charges, or acts of pilferage, and (3) recommendation and recovery of arrears in Tariffs and other charges.
- (c) A Licensee shall be bound by a performance contract which will set down all key performance targets agreed both by the Licensee and the Commission.
- (d) Maintain financial accounts in accordance with the manner and procedure specified in the License and as may be amended from time to time by the Commission.

Section 19. Principles of Efficient Tariff. Regulatory Units shall establish tariffs, rates and other charges which are fair and reasonable and which provide for the economic viability of the service and a fair return on their investments considering the prevailing cost of capital in the domestic and international market.

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

- (a) reasonable and prudent capital and recurrent costs of providing the service including a reasonable rate of return of the capital.
- (b) efficiency of the service.
- (c) incentives for enhancement of efficiency.
- (d) willingness to pay of customers/consumers.
- (e) equity considerations.
- (f) administrative simplicity.

Section 20. Proceedings Before the Commission. The Commission shall, for the purpose of any inquiry or proceeding under this Act, exercise quasi-judicial powers and, in this connection, shall have the requisite power for:

- (a) the summoning and enforcing of attendance of any witness and examination on oath.
- (b) the discovery and production of any document or other material object producible as evidence.
- (c) the reception of evidence on affidavits.
- (d) the requisition of any public record from any court or office.
- (e) the issuance of a commission for examination of witness.
- (f) the grant of adjournment at hearings.
- (g) compelling of the appearance of parties and the imposition of penalties as a consequence of non-appearance.

Section 21. Consolidation of Service Operations and Areas of Piped-Water Supply and/or Sewerage Systems. The Commission shall promote the consolidation of Piped-Water Supply and/or Sewerage Services in the same Service Area when it would improve the efficiency and lower the cost of provision of such services in the area.

Section 22. Orders and Decisions of the Commission. Every order or decision rendered by the Commission shall be in writing and shall state clearly and distinctly the facts and law on which it is based. The Commission shall decide each case or application within thirty (30) days following its formal submission for resolution. The Commission shall publish and make available for public inspection all decisions and final orders in the adjudication of contested cases or applications.

Section 23. Appeals Procedure and Prohibition Against Injunction. The orders, rulings, and decisions of the Commission are final and executory unless appealed to the Court of Appeals within fifteen (15) days from the receipt of notice of such order, ruling or decision. All orders, rulings and decisions, of the Commission approving tariffs shall be immediately executory and enforcement thereof may be suspended only upon appeal and filing of a bond, in an amount to be fixed by the Commission, to answer for damages occasioned by the suspension or stay of execution of such orders, rulings and decisions.

No injunction may be issued by any court or administrative agency to restrain any proceeding before, or the implementation or execution of any order, ruling or decision of the Commission, except on the basis of a question of law brought before the Supreme Court certiorari.

Subject to Sec. 7, paragraph 3 of this Act, an act or decision of the Commission shall not be invalid merely because of the defect or irregularity in, or in connection with, the appointment or vacancy in the Office of the Chairperson or any other member of the Commission.

Section 24. Commission has the Power to Arbitrate Interconnection Disputes. When there is a dispute between two or more Licensees regarding the terms and conditions, including price rates, for interconnection between them of Piped-Water Supply and/or Sewerage Systems, then upon notification of the dispute to the Commission by two or more Licensees, the Commission may make a binding arbitration of the terms and conditions on interconnection that are in dispute.

Section 25. Interface with Other Sector Regulators. The Department of Environment and Natural Resources ("DENR") shall continue to have the primary authority and responsibility for protecting the environment and water resources from waste and pollution and shall promulgate rules, regulations, and standards in this regard. The Commission shall coordinate with the DENR regarding this matter.

The Department of Health ("DOH") and LGUs shall have the primary authority and responsibility for determining and enforcing drinking water quality and sanitation standards.

The Commission shall coordinate with the NWRB for water allocation and data collection, the LGUs under administrative supervision from the Department of the Interior and Local Government for developing projects related to water supply and sanitation, and the Department of Public Works and Highways for flood control and the harnessing and impounding of water.

Section 26. *Advisory Council.* Within six (6) months from its organization, the Commission shall cause the formation of an Advisory Council which shall include, but shall not limited to, representatives from the following sectors: women, academe, business and industry, local government units, peoples organizations, non-government associations, professional organizations, consumer groups and indigenous peoples.

The Advisory Council shall have the following functions, among others:

- (a) To help disseminate information to the public relating to the Commission's objectives, powers and functions.
- (b) To serve as a permanent advisory body to the Commission on issues of interest to customers/consumers.
- (c) The Commission shall promulgate rules and regulations defining the nature, composition, and other functions of the Advisory Council.

Section 27. *Transfer of Duties, Powers, Functions, and Assets.* The functions, powers, and assets of the Water Utilities Division of the National Water Resource Board ("NWRB"), as set forth in Presidential Decree 1206, and other applicable laws are hereby transferred to the Commission. In the same manner, the pertinent economic regulation powers of LWUA as set forth under Presidential Decree No. 198, as amended; MWSS under RA 6234; PEZA under RA 7916; SBMA and under RA 7227; CDC under RA 7227 and Executive Order 80; and TIEZA under RA 9593 are likewise hereby transferred to the Commission.

Section 28. *Transfer of Rights and Obligations.* The Commission shall, by virtue of this Act, be subrogated to all the rights, and assume all the obligations, of the Water Utilities Division of the NWRB, and all other government agencies and units whose powers and functions are hereby transferred to and assumed by the Commission and shall be acted upon in accordance with the rules and regulations of the Commission on Audit and other pertinent laws, rules, and regulations.

Section 29. *Separation from Service.* Employees separated from government service as a result of this Act shall be entitled to the benefits which they may receive under existing laws, rules, and regulations.

Section 30. *Penalties for Violations.* Subject to Sec. 17, paragraph (c), of this Act, any person, natural or juridical, found violating the provisions of this Act and its implementing rules and regulations shall be imprisoned from six (6) months to six (6) years, or be liable to pay a fine not exceeding Five Hundred Thousand Pesos (P500,000.00), or both. When the offender is a corporation, association, or partnership, the penalty shall be imposed on the president, directors, or managing partners, as the case may be, and the persons charged with the administration thereof. The corporation shall be subsidiarily liable for the pecuniary liability of its aforementioned officers, president, directors, managing partners or persons charged with the administration thereof. Further, the Commission may state other penalties and charges, upon the recommendation of the Commission and approval by the President.

Section 31. *Appropriations.* The sum of Four Hundred Million Philippine Peso (P400,000,000.00) pesos shall be set aside from any available funds of the National Treasury, and is hereby appropriated and authorized to be released, for the organization of the Commission, and in

establishing the regional regulatory units and its initial operations. Thereafter, funds sufficient to fully carry out the objectives, powers, and functions of the Commission shall be appropriated every fiscal year in the General Appropriations Act.

Section 32. *Separability Clause.* In the effect that any provision of this Act is declared unconstitutional, invalid, or illegal, the constitutionality, validity, or legality of the remainder of the provisions of this Act shall not be affected thereby.

Section 33. *Repealing Clause.* All laws, decrees, rules and regulations, and executive orders contrary to or inconsistent with this Act, including but not limited to Section 2 of Presidential Decree (P.D.) No. 1206, are hereby repealed or modified accordingly. The power of LGUs under Section 154 of the Implementing Rules and Regulations of Republic Act No. 7160 to fix the rates in connection with the operation of water utilities owned, operated, and maintained by them within their jurisdiction is hereby repealed.

Further, the provision with respect to fixing of water rates and sanitation service fees of Section 3 (h) and Section 12, and regulation of waterworks and deep wells of Section 3 (n), regulation of waterworks and sanitation of systems in privately owned subdivisions of Section 3 (p) of Republic Act No. 6234, as amended is hereby repealed or modified, accordingly.

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

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

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

Section 34. *Effectivity Clause.* This Act shall take effect fifteen (15) days following the completion of its publication in a national newspaper or general circulation.

Approved.