



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 11256



Introduced by Rep. ROBERT NAZAL

AN ACT
PROHIBITING THE DIRECT OR INDIRECT RECOVERY FROM WATER
CONSUMERS OF COSTS ATTRIBUTABLE TO NON-REVENUE WATER,
REQUIRING WATER SERVICE PROVIDERS TO REDUCE AND PUBLICLY
DISCLOSE WATER LOSSES, AMENDING FOR THE PURPOSE SECTION 63 OF
PRESIDENTIAL DECREE NO. 198, AS AMENDED, AND FOR OTHER
PURPOSES

EXPLANATORY NOTE

Water is indispensable to life, health, sanitation, commerce, and the daily functioning of every Filipino household. How water is measured and billed is therefore not a mere matter of utility accounting; it is a question of consumer protection and responsible stewardship of a vital natural resource.

The scale of the need is stark. According to the Philippine Statistics Authority's preliminary 2024 Annual Poverty Indicators Survey, only 53.1 percent of Filipino families had access to safely managed drinking water service. When water is this scarce and this essential, not a single drop lost to leaks, faulty meters, or mismanagement should be quietly charged to the very families struggling to obtain it.

Yet that is precisely what happens. Non-revenue water—the gap between water entering a system and water actually billed—captures both real losses from leaking pipes, reservoirs, and connections, and apparent losses from inaccurate meters, unauthorized use, and billing errors. Authorized public uses such as firefighting and disaster relief are treated separately when properly documented. The Philippine Water Supply and Sanitation Master Plan 2019–2030 records the National Water Resources Board's mandate that non-revenue water should not exceed 25.0 percent. That ceiling exists precisely because water loss is a manageable operating condition — not an unlimited cost to be dumped onto consumers.

This measure is the water counterpart to the reform now sweeping the power sector. Just as Congress and the Executive move to stop electric utilities from passing their system losses to consumers by amending Republic Act No. 7832, this bill stops water providers from passing their water losses down the line. The principle is identical across both utilities: the burden of losses belongs to those who control the infrastructure, not to the households at the end of the pipe. The Fair Water Billing Act is the companion measure to system-loss reform in electricity — one Congress, two utilities, a single standard of fairness.

The Constitution supplies a firm foundation. Article II, Sections 15 and 16 direct the State to protect the rights to health and to a balanced and healthful ecology. Article XII, Section 2 vests ownership and full control of the nation's waters in the State. Presidential Decree No. 198 authorizes water districts to set cost-recovering rates, but nowhere establishes the nationwide, progressively declining framework this bill provides. Executive Order No. 22 (2023) recognized the sector's fragmentation and created the Water Resources Management Office to harmonize it. The gap this bill fills is therefore real and unaddressed by existing law.

The Fair Water Billing Act delivers these principal reforms:

1. **Consumers do not pay for inefficiency.** During the transition, Sec. 5 bars recovery of non-revenue-water costs exceeding the efficiency benchmark. Even costs within it are recoverable only after audit, public hearing, and specific regulatory findings.
2. **The benchmark must keep falling.** Sec. 6 caps the initial benchmark at 25 percent of system input (or any lower binding benchmark) and drives it to zero by the end of the fifth year after the implementing rules take effect.
3. **The transition is temporary, not a permanent allowance.** On expiration, all recovery of non-revenue-water costs is prohibited.
4. **The rule covers the whole sector.** Sec. 3 reaches water districts, LGU waterworks, MWSS and its concessionaires, private utilities, cooperatives, community and subdivision systems, bulk suppliers, and operators under concessions, joint ventures, and similar arrangements.
5. **Hidden recovery is barred.** Secs. 7, 9, and 10 prevent prohibited costs from being buried in base rates, fixed charges, tariff adjustments, bulk-water contracts, affiliate transactions, management fees, or renamed billing lines.
6. **Loss-reducing investment stays recoverable—under safeguards.** Sec. 7 permits prudent pipeline rehabilitation, leak detection, district metering, pressure management, and meter replacement where necessary, cost-effective, transparently procured, independently verified, and protected against double recovery.

7. **Consumers gain enforceable rights.** Annual performance scorecards, disclosure of beneficial ownership and related-party transactions, public hearings, independent audits, refunds with legal interest, personal accountability for knowing violations, and whistleblower protection.

The bill accounts for real differences among providers. A one-time extension of not more than two years may be granted only to a qualified financially distressed public, cooperative, community, or nonprofit provider, and only upon public hearing, an independently audited rehabilitation plan, definite targets, quarterly reporting, and a finding that its distress arose from neither fraud, gross negligence, fund diversion, prohibited related-party dealings, nor willful neglect. A Water Loss Reduction and Modernization Program further assists qualified public and community systems, with assistance walled off from dividends, bonuses, management fees, refunds, and any cost traceable to fraud or gross negligence.

The principle is simple and fair: *Ang tubig na hindi umabot sa gripo ay hindi dapat umabot sa bayarin.* Responsibility must rest with those who control the pipelines, meters, reservoirs, billing systems, and investment decisions. By pairing a defined transition, declining benchmarks, public scrutiny, and eventual zero recovery, the Fair Water Billing Act protects consumers while preserving lawful and prudent utility operations — completing, on the water side, the same promise of fairness now being written into the nation's power bills.

In view of the foregoing, the swift passage of this measure is earnestly sought.



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

Section 1. **Short Title.** — This Act shall be known as the “Fair Water Billing Act.”

Sec. 2. **Declaration of Policy.** — It is hereby declared the policy of the State to:

(a) Protect water consumers from unreasonable, unjustified, inefficient, and excessive charges;

(b) Ensure that consumers pay for water actually delivered to their service connection and for other lawful services expressly authorized by law;

(c) Treat non-revenue water exceeding the applicable efficiency benchmark, and all non-revenue water upon the expiration of the transition period, as an operating responsibility and business risk of the water service provider;

(d) Establish progressively declining non-revenue water efficiency benchmarks that lead to the eventual abolition of the recovery of non-revenue water costs from consumers;

(e) Promote the conservation, efficient utilization, and sustainable management of the country’s water resources;

(f) Encourage continuous investment in reliable, efficient, climate-resilient, and properly maintained water supply and distribution systems;

(g) Strengthen accountability, transparency, public participation, and measurable performance among water service providers and regulatory bodies;

(h) Provide appropriate technical and financial assistance to qualified public, cooperative, community, and nonprofit water systems undertaking water-loss reduction and modernization; and

(i) Ensure that water rates remain just, reasonable, transparent, affordable, nonconfiscatory, and consistent with the public interest.

Sec. 3. Coverage. — This Act shall apply to all water service providers engaged in the abstraction, production, treatment, transmission, bulk supply, distribution, sale, or delivery of water to consumers, regardless of ownership, legal form, franchise, service area, contractual arrangement, or regulatory classification.

It shall include:

(a) Local water districts;

(b) Local government-owned or operated waterworks systems;

(c) The Metropolitan Waterworks and Sewerage System and its concessionaires, contractors, successors, or assignees;

(d) Private water utilities and holders of certificates of public convenience;

(e) Cooperatives, associations, community water systems, subdivision water systems, and developer-operated water systems;

(f) Government-owned or -controlled corporations engaged in water supply or distribution;

(g) Operators under concession agreements, joint ventures, public-private partnerships, management contracts, leases, or similar arrangements;

(h) Bulk-water suppliers, insofar as their charges are passed on to retail water consumers; and

(i) Any successor entity performing substantially similar functions.

This Act shall likewise apply to every government agency, regulatory body, local sanggunian, board, office, or entity authorized to approve, review, establish, recommend, or regulate water rates and charges.

Sec. 4. Definition of Terms. — As used in this Act:

(a) “Applicable efficiency benchmark” refers to the maximum percentage of non-revenue water that may be considered by the appropriate regulator during the transition period, subject to the conditions and limitations prescribed under this Act;

(b) “Apparent losses” refer to water volumes not properly billed because of unauthorized consumption, illegal connections, water theft, meter inaccuracies, meter tampering, customer-account errors, data-transfer errors, billing errors, or similar commercial losses;

(c) “Appropriate regulator” refers to the Water Regulatory Commission, once created and organized by law, or, pending its creation, the government agency or body legally authorized to regulate the concerned water service provider, including the

National Water Resources Board, the Local Water Utilities Administration, the Metropolitan Waterworks and Sewerage System Regulatory Office, the appropriate local sanggunian, or any other authorized rate-setting or regulatory body;

(d) “Authorized billed consumption” refers to water lawfully supplied to and consumed by an authorized customer and billed on the basis of an accurate meter reading or another lawful billing method approved by the appropriate regulator;

(e) “Authorized unbilled public-use water” refers to water used for firefighting, emergency response, disaster relief, necessary system flushing, public fountains, or other public purposes specifically approved by the appropriate regulator and separately measured or reasonably estimated, documented, and publicly disclosed;

(f) “Beneficial owner” refers to the natural person who ultimately owns, controls, exercises substantial influence over, or receives the principal economic benefit from a juridical entity or transaction, whether directly or indirectly;

(g) “Consumer” refers to any person, household, establishment, institution, government office, or juridical entity receiving retail water service;

(h) “Non-revenue water” refers to the difference between the volume of water entering a water supply and distribution system and the volume constituting authorized billed consumption, including real losses, apparent losses, and undocumented or unauthorized unbilled consumption. Authorized unbilled public-use water shall not be considered non-revenue water when it complies with paragraph (e) of this section;

(i) “Real losses” refer to physical water losses from pressurized or non-pressurized systems, including leakage from transmission and distribution mains, service connections, storage facilities, reservoirs, tanks, treatment facilities, pumping stations, and overflows occurring before the consumer’s service meter;

(j) “Related party” refers to an affiliate, subsidiary, parent company, controlling shareholder, beneficial owner, director, trustee, officer, or entity under common ownership, control, management, or substantial influence with a water service provider;

(k) “Transition period” refers to the period during which progressively declining efficiency benchmarks may be applied pursuant to Sec. 6 of this Act;

(l) “Water-loss reduction investment” refers to a project specifically designed to measure, prevent, detect, control, or reduce real or apparent losses, including pipeline rehabilitation, district-metered areas, pressure-management systems, leak-detection equipment, customer-meter replacement, bulk metering, digital monitoring, supervisory control and data acquisition systems, and asset-management systems; and

(m) “Water service provider” refers to any public or private entity covered under Sec. 3 of this Act.

Sec. 5. *Prohibition Against the Recovery of Non-Revenue Water Costs.* — During the transition period, no water service provider shall charge, bill, pass on, collect, or otherwise recover from consumers any cost attributable to non-revenue water exceeding the applicable efficiency benchmark prescribed under this Act.

The applicable efficiency benchmark shall not constitute an automatic or guaranteed recoverable allowance. Any cost attributable to non-revenue water within the applicable benchmark may be considered in rate-setting only upon a finding by the appropriate regulator, after audit and public hearing, that the cost:

- (a) Was actually and prudently incurred;
- (b) Was determined using the uniform methodology prescribed under this Act;
- (c) Is not attributable to fraud, willful misconduct, gross negligence, unreasonable delay, meter manipulation, billing error, inadequate maintenance, or failure to comply with an approved water-loss reduction plan;
- (d) Does not include any profit, markup, return on equity, penalty, or financing charge imposed on the value of water lost; and
- (e) Is consistent with the applicable benchmark and all other requirements of this Act.

Upon the expiration of the transition period, no water service provider shall directly or indirectly recover from consumers any cost attributable to non-revenue water.

Consumers may be billed only for:

- (a) Authorized billed consumption actually delivered to the consumer's service connection;
- (b) Reasonable fixed service charges representing prudent and efficient costs unrelated to non-revenue water and expressly approved by the appropriate regulator;
- (c) Sewerage, sanitation, environmental, or other services actually provided and lawfully approved; and
- (d) Other charges expressly authorized by law that are not intended to recover the cost or value of non-revenue water.

Any non-revenue water cost prohibited under this Act shall be treated as an operating responsibility and business risk of the water service provider.

Sec. 6. *Progressively Declining Efficiency Benchmarks and Transition Period.* — Within one hundred twenty (120) days from the effectivity of this Act, the appropriate regulators, coordinated by the Water Resources Management Office, shall prescribe a uniform methodology for determining non-revenue water and progressively declining efficiency benchmarks.

The initial applicable efficiency benchmark shall not exceed twenty-five percent (25%) of system input volume or an existing lower legally binding benchmark applicable to the water service provider, whichever is lower.

The appropriate regulator shall establish an annual benchmark for each water service provider or comparable peer group. The benchmark shall:

- (a) Continuously decline every year;

- (b) Take into account the provider's size, water source, system age, service area, operating conditions, existing binding standards, and demonstrated technical capacity;
- (c) Require measurable annual reductions supported by an audited water-loss reduction plan;
- (d) Never exceed the maximum national ceiling prescribed under this section;
- (e) Not be increased to compensate for a provider's failure to meet a prior target; and
- (f) Reach zero not later than the end of the fifth (5th) year following the effectivity of the implementing rules and regulations.

A water service provider that already operates below the applicable benchmark shall be assigned a benchmark not higher than its most recently verified performance, subject to continuing annual reduction.

The appropriate regulator may grant a one-time extension not exceeding two (2) years only to a financially distressed local water district, local government-operated water system, cooperative, community water system, or nonprofit provider upon a finding, after public hearing, that:

- (a) Immediate application of the zero benchmark would create a substantial and documented risk of interruption of essential water service;
- (b) The provider has submitted an independently audited rehabilitation and water-loss reduction plan;
- (c) The provider has exhausted reasonably available internal efficiency measures and has applied for available technical or financial assistance;
- (d) The requested extension is supported by a definite implementation schedule, annual reduction targets, and quarterly public reporting;
- (e) The benchmark will continue to decline during each year of the extension and will reach zero upon its expiration; and
- (f) The provider's condition is not attributable to fraud, willful misconduct, gross negligence, diversion of funds, prohibited related-party transactions, or a willful failure to maintain the system.

No extension shall authorize recovery beyond the approved benchmark or create an automatic entitlement to rate recovery.

Sec. 7. *Treatment of Non-Revenue Water in Rate-Setting.* — In approving or reviewing water rates, the appropriate regulator shall not:

- (a) Include in the revenue requirement any non-revenue water cost exceeding the applicable efficiency benchmark;
- (b) Use a loss allowance, loss factor, efficiency factor, tariff gross-up, volume adjustment, or similar mechanism that permits recovery beyond the applicable benchmark;

(c) Permit the recovery of raw-water, bulk-water, electricity, chemical, treatment, pumping, transmission, distribution, or other operating costs attributable to non-revenue water beyond the applicable benchmark;

(d) Permit a water service provider to increase a base rate, volumetric rate, minimum charge, fixed charge, adjustment mechanism, or other tariff component to offset a prohibited non-revenue water cost;

(e) Recognize non-revenue water as an automatic or guaranteed recoverable cost; or

(f) Permit any recovery of non-revenue water costs after the expiration of the transition period.

The appropriate regulator may approve the recovery of prudent water-loss reduction investments upon a finding that:

(a) The investment is necessary, technically sound, and cost-effective;

(b) The investment was procured in accordance with applicable procurement, competition, beneficial-ownership disclosure, and conflict-of-interest rules;

(c) The investment is subject to measurable reduction targets and independent performance verification;

(d) The cost does not include the purchase, production, treatment, pumping, financing, profit, markup, or value of water already lost;

(e) The investment will not result in double recovery;

(f) The provider has complied with the disclosure, audit, public-participation, and reporting requirements of this Act; and

(g) The proposed rate treatment reasonably allocates project risks between the provider and consumers.

Rates approved under this Act shall remain just and reasonable and shall afford an efficient water service provider a reasonable opportunity, but not a guarantee, to recover prudent costs unrelated to prohibited non-revenue water.

Nothing in this Act shall be construed to require confiscatory rates or to prohibit recovery of lawful and efficient costs that are not attributable to prohibited non-revenue water.

Sec. 8. *Amendment of Sec. 63 of Presidential Decree No. 198, as Amended.* — Sec. 63 of Presidential Decree No. 198, as amended, is hereby further amended by adding the following paragraphs at the end thereof:

“Notwithstanding any provision of this section, no rate or charge shall include, directly or indirectly, any cost attributable to non-revenue water exceeding the applicable efficiency benchmark prescribed under the Fair Water Billing Act.

Upon the expiration of the transition period under the Fair Water Billing Act, no rate or charge shall include any cost attributable to non-revenue water.

Water-loss reduction investments may be included in rates only when approved in accordance with the standards, safeguards, public-participation requirements, performance conditions, and prohibition against double recovery prescribed under the Fair Water Billing Act.

The review of any rate or charge shall include a determination of compliance with the applicable efficiency benchmark, beneficial-ownership and related-party disclosure requirements, consumer-refund obligations, and other requirements of the Fair Water Billing Act.”

Sec. 9. Effect on Existing Rates, Tariffs, and Contracts. — Upon the effectivity of this Act:

(a) No new or increased non-revenue water charge or recovery mechanism shall be approved except in accordance with the applicable efficiency benchmark and the requirements of this Act;

(b) Any separately identified non-revenue water charge exceeding the applicable benchmark shall immediately cease to the extent of the excess;

(c) No pending rate application shall be approved unless it complies with this Act;

(d) Within ninety (90) days from the issuance of the uniform methodology, every water service provider shall submit to the appropriate regulator an unbundled statement identifying every portion of its existing rate attributable to non-revenue water;

(e) Where a non-revenue water cost is embedded in an existing tariff and cannot immediately be isolated, the appropriate regulator shall determine the amount using the uniform methodology prescribed under this Act and shall implement the corresponding rate adjustment within one hundred eighty (180) days from receipt of complete data;

(f) A water service provider shall not evade compliance by claiming that it has no separately identified non-revenue water charge when such cost is embedded in its revenue requirement, base rate, volumetric rate, fixed charge, minimum charge, adjustment mechanism, or another tariff component;

(g) No water service provider shall be entitled to an automatic rate increase solely because recovery of non-revenue water has been reduced or prohibited; and

(h) Existing contracts, concession agreements, loan agreements, and similar arrangements shall be administered and implemented consistently with this Act, subject to constitutional requirements and without impairing obligations unrelated to the prohibited recovery from consumers.

This Act shall apply to rates, charges, and collections imposed after its effectivity. Nothing in this section shall prevent the regulator from reviewing collections made before effectivity when authorized under existing law.

Sec. 10. ***Prohibition Against Circumvention; Beneficial-Ownership and Related-Party Disclosure.*** — No water service provider, affiliate, contractor, bulk-water supplier, or other entity shall recover a prohibited non-revenue water cost by:

- (a) Changing the name or description of the charge;
- (b) Incorporating it into a base rate, minimum charge, fixed charge, commodity charge, environmental charge, sewerage charge, sanitation charge, or other billing component;
- (c) Establishing a rider, surcharge, automatic adjustment mechanism, or rate-rebasing adjustment;
- (d) Increasing another regulated charge to offset the prohibition under this Act;
- (e) Passing the cost through a bulk-water supply agreement, affiliate transaction, management fee, lease payment, or related-party contract;
- (f) Altering billing assumptions, volume projections, consumption bands, or tariff denominators;
- (g) Reclassifying water losses as capital costs, regulatory assets, deferred charges, extraordinary adjustments, or similar accounts; or
- (h) Adopting any other arrangement, device, or transaction intended to defeat or circumvent this Act.

Every water service provider shall disclose to the appropriate regulator:

- (a) The beneficial ownership and controlling interests of every bulk-water supplier, contractor, affiliate, and entity receiving payments that are recovered or proposed to be recovered through consumer rates;
- (b) All common directors, trustees, officers, beneficial owners, management personnel, or controlling interests between the provider and such entity;
- (c) The material terms, pricing, volume commitments, escalation provisions, guarantees, procurement method, and payment arrangements of the transaction; and
- (d) Any direct or indirect financial interest of a director, trustee, officer, employee, regulator, consultant, or immediate family member in the transaction.

A related-party transaction shall not be included in consumer rates unless the appropriate regulator finds, after audit and public hearing, that it was transparently procured, is prudent and necessary, was entered into on arm's-length terms, and is no less favorable to consumers than reasonably available alternatives.

Failure to make a complete and truthful disclosure shall be sufficient ground to disallow the related cost, without prejudice to other sanctions.

Sec. 11. ***Duties of Water Service Providers.*** — Every water service provider shall:

- (a) Prepare an annual water balance using the uniform methodology prescribed under this Act;

- (b) Accurately measure system input volume, authorized billed consumption, authorized unbilled public-use water, real losses, and apparent losses;
- (c) Establish annual and medium-term non-revenue water reduction targets consistent with the applicable benchmark;
- (d) Implement active leak-detection and prompt leak-repair programs;
- (e) Establish district-metered areas where technically and economically appropriate;
- (f) Implement pressure-management and reservoir-overflow controls;
- (g) Maintain, calibrate, test, and replace customer and bulk meters according to prescribed standards;
- (h) Detect and act against illegal connections, meter tampering, and unauthorized consumption in accordance with law and due process;
- (i) Maintain an updated asset registry and risk-based pipeline-replacement program;
- (j) Use appropriate digital monitoring, supervisory control, data acquisition, geographic-information, and smart-metering technologies where technically and economically justified;
- (k) Maintain adequate records of water production, treatment, purchase, transmission, distribution, consumption, and loss;
- (l) Implement transparent procurement, beneficial-ownership disclosure, and conflict-of-interest safeguards for water-loss reduction projects;
- (m) Comply with water-quality, continuity, pressure, customer-service, and other applicable performance standards;
- (n) Refrain from reducing service pressure, continuity, water quality, or necessary maintenance for the purpose of appearing to meet an efficiency benchmark; and
- (o) Submit accurate and timely reports required under this Act.

Sec. 12. ***Annual Water Service Performance Scorecards.*** — The appropriate regulator shall publish an annual performance scorecard for every water service provider.

The scorecard shall contain, at a minimum:

- (a) Total system input volume;
- (b) Authorized billed consumption;
- (c) Authorized unbilled public-use water;
- (d) Non-revenue water volume and percentage;
- (e) Estimated real and apparent losses;
- (f) The applicable efficiency benchmark;
- (g) The reduction or increase from the previous year;
- (h) The amount of non-revenue water cost allowed and disallowed in rates;
- (i) Water production and purchase costs;
- (j) Expenditures for leak detection, meter replacement, pipeline rehabilitation, pressure management, and other water-loss reduction measures;

- (k) Average hours of service;
- (l) Frequency and duration of service interruptions;
- (m) Water-pressure performance;
- (n) Water-quality compliance;
- (o) Number of reported and repaired leaks and average repair time;
- (p) Consumer complaints and their disposition;
- (q) Enforcement actions, penalties, refunds, or consumer credits;
- (r) Compliance with the provider's water-loss reduction plan;
- (s) Material related-party transactions and beneficial-ownership disclosures;
and
- (t) Other information necessary to assess efficiency, service quality, affordability, and accountability.

Water service providers shall be classified into comparable peer groups based on size, source, service area, system characteristics, and operating conditions. The appropriate regulator shall publish comparative rankings within each peer group.

All scorecards and underlying nonconfidential data shall be available in searchable and downloadable formats and posted on the websites and in the principal offices of the regulator and water service provider.

Sec. 13. ***Public Participation in Rate Proceedings.*** — No rate application involving non-revenue water costs, water-loss reduction investments, embedded tariff adjustments, or related-party transactions shall be approved without:

- (a) Prior publication and public disclosure of the application and supporting nonconfidential data;
- (b) Reasonable notice to affected consumers;
- (c) A meaningful opportunity for affected consumers, local government units, consumer organizations, and other interested persons to submit written comments;
and
- (d) At least one accessible public hearing within the affected service area, with remote participation where reasonably practicable.

The application, audit results, water balance, applicable benchmark, proposed investments, beneficial-ownership disclosures, related-party transactions, and proposed consumer impact shall be made publicly available at least fifteen (15) days before the hearing.

The appropriate regulator shall issue a written decision stating its findings on the material issues raised during the proceedings. No confidential treatment shall be granted to information necessary to identify beneficial ownership, controlling interests, related-party relationships, or the amount proposed to be recovered from consumers, except to the extent expressly required by law.

Sec. 14. ***Independent Audit and Verification.*** — The appropriate regulator may require independent technical, financial, and performance audits to verify reported non-revenue water, costs, investments, meter accuracy, reduction measures, related-party transactions, and compliance with this Act.

The auditor shall be independent of the water service provider, its affiliates, contractors, beneficial owners, directors, trustees, officers, and management. Government-owned water service providers shall remain subject to audit by the Commission on Audit.

The intentional falsification, material misstatement, concealment, destruction, or manipulation of water-loss, meter, cost, billing, beneficial-ownership, or related-party data shall constitute a separate violation of this Act, without prejudice to liability under other laws.

Sec. 15. ***Water Loss Reduction and Modernization Program.*** — A Water Loss Reduction and Modernization Program is hereby established to provide targeted technical and financial assistance to:

- (a) Financially distressed local water districts;
- (b) Local government-operated water systems;
- (c) Small cooperatives and community water systems;
- (d) Water systems serving geographically isolated and disadvantaged areas;
- and
- (e) Other nonprofit or public water service providers determined by the implementing agencies to require assistance.

The Program shall prioritize:

- (a) Replacement of leaking and deteriorated pipelines;
- (b) Installation of bulk meters and district-metered areas;
- (c) Leak-detection and pressure-management equipment;
- (d) Replacement and calibration of inaccurate customer meters;
- (e) Digital mapping and asset-management systems;
- (f) Supervisory control and data acquisition systems;
- (g) Training and institutional capacity development; and
- (h) Emergency rehabilitation of systems suffering from exceptionally high physical losses.

Assistance may consist of grants, concessional loans, technical assistance, guarantees, or other lawful financing arrangements.

No assistance shall be released unless the recipient has submitted an independently audited water-loss reduction plan containing measurable annual targets, implementation schedules, procurement arrangements, performance indicators, beneficial-ownership disclosures, and public-reporting commitments.

Assistance shall not be used for:

- (a) Dividends, profit distributions, bonuses, or management fees;
- (b) Payments to affiliates or related parties without competitive and transparent procurement;
- (c) Fines, penalties, or consumer refunds;
- (d) Costs arising from fraud, gross negligence, willful misconduct, or willful failure to maintain the system; or
- (e) Recovery of the cost or value of non-revenue water.

Receipt of government assistance shall not authorize the recipient to pass prohibited non-revenue water costs on to consumers.

Sec. 16. ***Enforcement, Administrative Sanctions, and Personal Accountability.*** — The appropriate regulator shall investigate violations of this Act and, after notice and hearing, may:

- (a) Issue cease-and-desist orders;
- (b) Disallow or suspend the collection of prohibited rates and charges;
- (c) Direct the revision of tariffs, billing systems, and accounting records;
- (d) Order refunds or bill credits;
- (e) Deny, defer, or condition pending rate applications;
- (f) Require corrective-action and compliance plans;
- (g) Impose an administrative fine not exceeding one percent (1%) of the water service provider's annual gross revenue from water services for each serious violation, taking into account the gravity, duration, recurrence, consumer impact, and financial capacity of the provider;
- (h) Suspend or revoke a certificate, permit, or regulatory approval when authorized by law;
- (i) Recommend the cancellation, suspension, or nonrenewal of a franchise, concession, joint venture, or similar authority in cases of repeated or grave violations; and
- (j) Impose other lawful sanctions necessary to enforce this Act.

No administrative fine, penalty, refund, legal expense arising from a violation, or similar amount shall be treated as a recoverable operating expense or passed on to consumers.

Any director, trustee, officer, employee, agent, or representative of a public or private water service provider who knowingly authorizes, approves, conceals, implements, or causes the collection of a prohibited charge shall, after notice and hearing, be personally subject to the applicable administrative sanctions, without prejudice to civil or criminal liability under existing laws.

Any member, officer, or employee of a regulatory or rate-setting body who knowingly authorizes, approves, conceals, or facilitates a prohibited charge shall be

referred to the appropriate disciplinary authority, the Office of the Ombudsman, or another competent body for proceedings under applicable laws.

Personal liability under this section shall attach only upon a specific finding that the person knowingly participated in, authorized, approved, concealed, or caused the violation.

Sec. 17. ***Consumer Refunds and Remedies.*** — Any amount collected in violation of this Act shall be refunded to affected consumers.

The refund shall cover the full period beginning on the date the applicable prohibition or efficiency benchmark became effective, or the date the unlawful collection commenced, whichever is later, until the collection ceased.

Legal interest shall be computed from the date of each unlawful collection until full reimbursement at the rate prescribed under applicable law and prevailing jurisprudence.

Refunds or bill credits shall be completed within one hundred eighty (180) days from the date the order directing the refund becomes final and executory, unless the appropriate regulator prescribes a shorter period in the interest of consumers.

Refunds may be made through:

- (a) Direct payment;
- (b) Automatic bill credits;
- (c) Reduction of succeeding bills; or
- (d) Another transparent method providing full value to the consumer.

The water service provider shall provide each affected consumer with written or electronic notice stating the refund period, principal amount, interest, manner of payment, and schedule of release or credit.

A refund shall not be conditioned on the filing of an individual complaint when the affected class of consumers and the amount collected can be determined from the provider's records.

Refunds due to disconnected account holders shall be paid directly upon verification of identity and account records. Refunds due to deceased account holders shall be released to the lawful estate, heirs, or authorized representative upon submission of reasonable proof prescribed by the regulator.

Unclaimed refunds shall be held in trust in a segregated account, shall not be treated as income or assets available for distribution by the provider, and shall remain payable to the entitled consumer or lawful successor. The appropriate regulator shall

prescribe procedures for notice, safekeeping, claims, and disposition consistent with applicable law.

The remedies under this Act shall be without prejudice to civil, criminal, administrative, contractual, or other remedies available under existing laws.

Sec. 18. ***Whistleblower and Anti-Retaliation Protection.*** — No employee, contractor, consultant, consumer, auditor, witness, or other person who, in good faith, reports a suspected violation of this Act, provides information, produces records, participates in an investigation, or testifies in a proceeding shall be dismissed, suspended, demoted, harassed, threatened, discriminated against, blacklisted, denied water service, or subjected to retaliation.

The identity of a reporting person shall be kept confidential to the extent permitted by law and consistent with due process.

Retaliation shall constitute a separate violation of this Act. A person subjected to retaliation may be granted appropriate relief, including reinstatement, restoration of benefits, correction of employment records, and other remedies available under law.

This protection shall not apply to a person who knowingly submits false information or acts with malice.

Sec. 19. ***Regulatory Coordination and Institutional Transition.*** — Pending the creation and organization of a Water Regulatory Commission by law, the existing appropriate regulators shall exercise their respective powers and perform the duties prescribed under this Act within their existing jurisdictions.

The Water Resources Management Office shall convene and coordinate the concerned regulators and implementing agencies to adopt uniform national definitions, accounting methodologies, efficiency benchmarks, reporting standards, scorecards, audit protocols, beneficial-ownership disclosure requirements, public-participation procedures, and anti-circumvention rules.

Upon the creation and organization of the Water Regulatory Commission, the regulatory, enforcement, rate-review, reporting, and scorecard functions prescribed under this Act shall be exercised by the Commission to the extent provided by its enabling law.

No regulatory transition, reorganization, transfer of functions, or vacancy in office shall suspend or delay the implementation of the prohibitions and consumer protections established under this Act.

Sec. 20. ***Implementing Rules and Regulations.*** — Within one hundred twenty (120) days from the effectivity of this Act, the Department of Environment and Natural Resources, through the Water Resources Management Office, shall convene the National Water Resources Board, Local Water Utilities Administration, Metropolitan Waterworks and Sewerage System Regulatory Office, Department of the Interior and Local Government, Department of Finance, Department of Budget and Management, Commission on Audit, and other concerned agencies to promulgate the implementing rules and regulations.

The rules shall prescribe:

- (a) A uniform water-balance and non-revenue water accounting methodology;
- (b) Progressively declining efficiency benchmarks and procedures for determining provider-specific targets;
- (c) A methodology for identifying non-revenue water costs embedded in regulated rates;
- (d) Standards for determining costs that may be considered within the benchmark during the transition period;
- (e) Standards for authorized unbilled public-use water;
- (f) Procedures for rate review, public hearings, refunds, consumer complaints, and enforcement;
- (g) National scorecard and open-data standards;
- (h) Beneficial-ownership and related-party disclosure requirements;
- (i) Water-loss reduction planning and audit requirements;
- (j) Eligibility and performance conditions for modernization assistance;
- (k) Whistleblower confidentiality and anti-retaliation procedures; and
- (l) Other measures necessary to implement this Act.

The implementing rules shall be issued after public consultation with consumers, water service providers, local governments, water districts, civil society organizations, technical experts, and other stakeholders.

No implementing rule shall authorize any recovery beyond the limits or transition period prescribed under this Act.

Sec. 21. ***Appropriations.*** — The amount necessary for the initial implementation of this Act shall be charged against the current appropriations of the concerned agencies.

Thereafter, such sums as may be necessary for the continued implementation of this Act and the Water Loss Reduction and Modernization Program shall be included in the annual General Appropriations Act.

Sec. 22. ***Separability Clause.*** — If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall remain in full force and effect.

Sec. 23. ***Repealing Clause.*** — All laws, presidential decrees, executive orders, administrative issuances, franchises, local ordinances, rules, regulations, rate orders, tariffs, methodologies, concession provisions, and other issuances inconsistent with this Act are hereby repealed, amended, or modified accordingly.

Sec. 24. ***Effectivity.*** — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least one (1) newspaper of general circulation.

Approved.