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HOUSE OF REPRESENTATIVES
QUEZON CITY

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House Bill No. 4282

Introduced by Rep. Feliciano Belmonte Jr. and Rep. Neptali M. Gonzales

EXPLANATORY NOTE

In line with the national objective of attaining universal access to safe, adequate, affordable and sustainable water supply and sanitation services for all Filipinos, the proposed measure seeks to rationalize the economic regulation of water utilities and create an independent, quasi-judicial regulatory body to be known as the Water Regulatory Commission (WRC).

The WRC shall be composed of Provincial Regulatory Units and Central Regulatory Unit. The existing regulatory functions of the Metropolitan Waterworks and Sewerage System (MWSS), the National Water Resources Board (NWRB) and the Local Water Utilities Administration (LWUA) shall be transferred to WRC which shall be vested with the authority to issue licenses and review the existing holders of Certificates of Public Convenience and Necessity issued by the NWRB and Conformance issued by LWUA.

The proposed measure also seeks to achieve the following objectives:

1. Accelerate the improvement and efficient provision of level II water supply systems and sanitation services for the entire country;
2. Encourage private sector participation in the continued growth and development of water supply and septage management and sewerage facilities and services;
3. Create a business and regulatory environment conducive to public and private domestic and foreign investment in the water sector;
4. Provide incentives and encourage investments in the provision of affordable access to water supply and sanitation services in unserved and under served areas of the country.

Hence, approval of this measure is urgently sought.


FELICIANO BELMONTE, JR.


NEPTALI M. GONZALES II

- 1 f) To ensure that water resources allocated to water service providers are used
2 efficiently to meet public demand;
3
4 g) To ensure fair, just and reasonable tariffs, rates and charges for water supply
5 and sanitation services;
6
7 h) To protect the legal and other interests of consumers of water supply and
8 sanitation services rendered by public and private sector licenses;
9
10 i) To establish an administrative process for economic regulation that is stable,
11 transparent and fair, giving due emphasis to technical, legal, environmental,
12 economic and financial considerations and with due regard to the observance of
13 due process at all times; an
14
15 j) To establish a strong and independent economic regulatory body to ensure
16 consumer protection, promote good business practice and competition among
17 Service Providers and full public accountability to achieve greater operational
18 and economic efficiency.
19

20 **SEC. 3. Definition of Terms.** – As used under this Act, the following words or
21 terms shall have the following meaning:
22

- 23 a) "Bulk water suppliers" shall refer to any entity, natural or juridical, whether public
24 or private, supplying or intending to supply large quantities of raw or treated
25 water to buyers who will use it for own consumption, such as industrial
26 companies, or for retail distribution to consumers, such as Water Districts or
27 subdivisions managing their own distribution network.
28
29 b) "Commission" shall mean the Water Regulatory Commission.
30
31 c) "Levels of water supply service" – consistent with the definition provided under
32 NEDA Board Resolution No. 12 (Series of 1995) shall mean as follows:
33

34 Level I (*point source*) – a protected well or a developed spring with an outlet
35 but without a distribution system, generally adaptable for rural areas where
36 the houses are thinly scattered. A Level I facility normally serves an average
37 of 15 households.
38

39 Level II (*communal faucet system or standposts*) – a system composed of a
40 source, a reservoir, a piped distribution network, and communal faucets.
41 Usually, one faucet serves 4 to 6 households. Generally suitable for rural and
42 urban fringe areas where houses are clustered densely to justify a simple
43 piped system.
44

45 Level III (*waterworks system or undivided house connections*) – a system with
46 a source, a reservoir, a piped distribution network and household taps. It is
47 generally suited for densely populated urban areas.
48

- 49 d) "License" shall mean the Water Supply and/or Sanitation Services Operating
50 License that the Commission is authorized to grant and issue to Service
51 Providers.
52
53 e) "Licensee" shall mean the Service Provider to whom a License is granted or
54 issued by the Commission.
55
56 f) "LWUA" shall mean the Local Water Utilities Administration created under
57 Presidential Decree No. 198, as amended.

- 1
2 g) "MWSS" shall mean the Metropolitan Waterworks and Sewerage System,
3 created by Republic Act No. 6234,
4
5 h) "NWRB" shall mean the National Water Resources Board created by Presidential
6 Decree No. 424, as amended by Executive Order No. 124-A.
7
8 i) "Regulatory Units" shall refer to the regulatory offices established under Section
9 5 of this Act to issue Licenses authorizing the operation of Water Supply and
10 Sanitation Services; provide, review, determine, fix and approved water and
11 sewerage tariffs, rates and charges that Licenses may impose; and exercise
12 such other functions and powers as may be provided hereunder.
13
14 j) "Sanitation" as used under this Act, refers only to sewerage and septage
15 management.
16
17 k) "Service Area" shall refer to the area covered by the water distribution systems,
18 sewerage and septage management services.
19
20 l) "Service Provider" shall refer to any entity, natural or juridical, whether private or
21 public, providing or intending to provide levels II & III water supply, including bulk
22 water suppliers; sewerage; and and/or septage treatment and disposal services
23 for domestic/residential, industrial or commercial use.
24
25 m) "Sewerage" shall refer to any system or network of pipelines, ditches, channels
26 or conduits including pumping stations, lift stations and force mains, service
27 connections including other constructions, devices or appliances appurtenant
28 thereof, which includes the collection, transport, pumping and treatment of water-
29 borne human or animal waste removed from residences, buildings, institutions,
30 industrial and commercial establishments to point of disposal.
31
32 n) "Septage" shall refer to sludge produced on individual onsite wastewater disposal
33 systems, principally septic tanks and cesspools.
34
35 o) "Septage Management" shall refer to the provisions of proper collection,
36 treatment and disposal of septage.
37
38 p) "Tariffs" shall refer to such amounts which may be charge by Licenses of Water
39 Supply and/or Sanitation Services for their services based on principles,
40 standards, and guidelines established by the Commission.
41
42 q) "Water District" shall refer to government-owned and controlled corporations
43 organized under Presidential Decree No. 198, as amended, created primarily to
44 acquire, install, operate, maintain and improve water supply and distribution
45 systems for domestic, industrial and municipal uses of residents and to provide,
46 maintain and operate waste water collection, treatment and disposal facilities
47 within the boundaries of the district.
48
49 r) "Water Supply and/or Sanitation Service"- refer to any activity comprising of
50 Levels II and III water supply including suppliers to subdivisions and other
51 Service Providers; sewerage; and septage treatment and disposal services.
52

53 CHAPTER 2 – ORGANIZATION

54
55 **SEC. 4.** *The Water Regulatory Commission.* – There is hereby created and
56 established an independent, quasi-judicial regulatory body to be named the Water

1 Regulatory Commission, hereinafter referred to as the "Commission", which shall be
2 organized within one hundred twenty (20) days after the effectivity of this Act.

3
4 The Commission shall have a Board of Commissioners, and shall be vested with
5 powers and functions, as conferred and set forth hereunder.

6
7 **SEC. 5. *The Regulatory Units.*** – The Regulatory Units of the Commission shall
8 be composed of the Provincial Regulatory Units and the Central Regulatory Unit.

9
10 The Provincial Regulatory Units shall be established by the Commission in accordance
11 with such rules, regulations, guidelines and standards as the Commission shall issue,
12 and as provided hereunder.

13
14 Moreover, the pertinent regulatory divisions or units of MWSS, NWRB and LWUA are
15 hereby transferred to the Commission, and they shall collectively comprise its Central
16 Regulatory Unit for water supply and sanitation services that:

- 17
18 (a) provide services to more than one province;
19 (b) are owned, operated and/or maintained by special economic zones and
20 Metro Manila concessionaires.

21
22 **SEC. 6. *Powers and Functions of the Commission.*** – The overall authority and
23 powers of the Commission shall cover and apply to all Service Providers, whether
24 private or public, providing or intending to provide levels II and III water supply, including
25 supplier to subdivisions and/or other Service Providers, sewerage, and/or septage
26 treatment and disposal services for domestic/residential, industrial or commercial use.

27
28 The Commission shall have the following powers and functions:

- 29
30 a) Provide the overall policy directions, strategies and targets to meet the goals and
31 objectives for water supply, sewerage and septage management;
32
33 b) Issue and promulgate rules, regulations and guidelines as may be necessary to
34 implement and enforce its powers and functions under this Act;
35
36 c) Set and enforce just and reasonable technical standards, classifications and
37 measurements of service;
38
39 d) Appoint the central and provincial regulators;
40
41 e) Establish rules and regulations to monitor, avoid and provide remedies for any
42 market power abuse or anti-competitive or discriminatory act or behavior by or
43 against any participant in the water supply and sanitation sector. Upon finding
44 that a market participant has engaged in, or fell victim to such act or behavior,
45 the WRC shall act to stop and/or redress the same. Such remedies may, without
46 limitation, include the imposition of price controls, issuance of injunctions,
47 requirement of divestment or disgorgement of excess profits, invalidation of
48 contracts and imposition of fines and penalties pursuant to this Act.
49
50 f) Adopt and require that books, records and accounts be kept and maintained in
51 accordance with the prescribed uniform accounting system;
52
53 g) Fix and determine proper and adequate rates of depreciation of properties and
54 equipment used in Water Supply and Sanitation Service/s;
55
56 h) Impose and collect annual levies determined as percentage of gross revenue
57 accruing in relation to the licensed activities, and reasonable fees and

1 surcharges as may be necessary for achieving the purposes, powers and
2 functions of the Commission;

- 3
- 4 i) Require the submission reports of finances and operations, verified under oaths
5 by the owner or president and secretary of the Licensee;
- 6
- 7 j) Determine and require the monitoring and submission of such data, statistics and
8 other information from the Regulatory Units and any or all licenses as may be
9 necessary for the effective and efficient exercise of its duties, functions, powers
10 and responsibilities;
- 11
- 12 k) Investigate, *motu proprio* or upon complaint in writing, any matter concerning the
13 operation of the service and require that service be provided in proper and
14 suitable manner;
- 15
- 16 l) Impose penalties and fines against any Licensee or against its owners, directors,
17 officers, agents or representatives for any violation of this Act or of the license,
18 order, rule regulation or requirement issued by the Commission;
- 19
- 20 m) Require any Licensee to pay and actual expenses incurred by the Commission in
21 any investigation if it shall be found that a Licensee violated any provision of this
22 Act or of the license, order, rule, regulation or requirement issued by the
23 Commission;
- 24
- 25 n) Advise, apprise and coordinate with other relevant agencies of the national or
26 local government on any matter relating to Water Supply and/or Sanitation
27 Services;
- 28
- 29 o) Deputize agents, whether from the public or private sector, to assist in the
30 performance of any of the powers and functions of the Commission;
- 31
- 32 p) Upon appeal and after due hearing, appoint an interim or temporary
33 management committee to ensure continuity of service in cases a Licensee fails
34 to meet conditions of the license and the concerned Regulatory Unit fails or
35 refuses to appoint an interim management committee as provided in the
36 following section;
- 37
- 38 q) Appoint, hire and maintain adequate staff and personnel, advisers, and/or
39 consultants, with suitable qualifications and experience, as necessary;
- 40
- 41 r) Original and exclusive jurisdiction over all cases contesting rates, fees, fines and
42 penalties imposed by the Regulatory Units in the exercise of their powers,
43 functions and responsibilities, as set forth herein, and over all cases involving
44 disputes between and among participants or stakeholders in the Water Supply
45 and Sanitation services; and
- 46
- 47 s) Such other incidental powers and functions as may be necessary to attain the
48 objectives of this Act.
- 49

50

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

53

- 54 a) Subject to the review and approval of the Commission, issue and promulgate
55 rules, regulations and guidelines as may be necessary to implement and enforce
56 its powers and functions under this Section;
- 57

- 1 b) Issue Licenses authorizing the operation of Water Supply and Sanitation
2 Services in any specified area or areas within the Philippines;
3
- 4 c) Impose fines, charges and other penalties upon any Provider and/or its officers
5 and stockholders who shall fail or refuse to register and/or obtain a License prior
6 to operation or commencement of business, as provided hereunder;
7
- 8 d) Consistent with rules, guidelines, procedures and methodologies which the
9 Commission shall provide, review, determine, fix and approve proposed water
10 and sewerage tariffs, rates and charges that Licensees may impose upon their
11 customers/consumers;
12
- 13 e) Appraise and value property and equipment used by Licensees in providing
14 water supply and sanitation service/s;
15
- 16 f) Enforce technical, financial and other performance standards set by the
17 Commission for licensees/utilities;
18
- 19 g) Respond to consumer complaints and ensure the adequate promotion of
20 consumer interests;
21
- 22 h) Investigate accidents directly or indirectly arising from or connected with the
23 maintenance or operation of the service, and make such order or
24 recommendation as the public interest may warrant;
25
- 26 i) Upon petition or *motu proprio* where in its determination public interest so
27 dictates, require the review and/or approval of contracts or agreements that may
28 impact on the tariff and rates of service provision entered into by Service
29 Providers;
30
- 31 j) Require the submission of reports, plans and other documents that set out the
32 performance targets of the licensees/utilities, and regular accomplishment
33 reports;
34
- 35 k) Impose and collect annual levies determined as a percentage of gross revenue
36 accruing in relation to the licensed activities, and reasonable fees and
37 surcharges as may be necessary for achieving the purposes, powers and
38 functions of the regulator;
39
- 40 l) Conduct benchmarking and monitor the performance of licensees/utilities under
41 their jurisdiction, and publish reports detailing the results thereof, as may be
42 necessary or required by the Commission;
43
- 44 m) Amend, modify, suspend or revoke any License issued by them, after due notice
45 and hearing, on any of the following grounds:
46
- 47 i. when the facts and circumstances on the strength of which the license was
48 issued have been misrepresented or has materially changed;
49
- 50 ii. when the Licensee has failed to meet or comply with terms, conditions and
51 performance targets – including but not limited to service expansion – that
52 may have been set in the license;
53
- 54 iii. where the Licensee is found to be manifestly incompetent in the operation of
55 or provision of Water Supply and Sanitation services in its area; or
56

1 iv. when the holder thereof has violated or will fully refused to comply with any
2 order, rule or regulation of the Commission or any provision of this Act.

3
4 n) Appoint an interim management committee to ensure continuity of service in
5 case a licensee fails to meet conditions of the license; and

6
7 o) Submit performance plans and reports as required by the Commission
8
9

10 **SEC. 8. Composition. –**

11
12 a) The Commission shall be collegial body composed of five (5) full-time members
13 composed of a Chairperson and four (4) members, who shall be appointed by the
14 President of the Philippines. All members of the Commission must be citizens
15 and residents of the Philippines, at least thirty five (35) years of age, and of good
16 moral character, recognized integrity and competence in the field of law,
17 business, commerce, recognized integrity and competence in the field of law,
18 business, commerce, finance, accounting or public administration, water or utility
19 economics, management, physical or engineering services, hydrology and other
20 related services, with at least three (30 years actual and distinguished
21 experience in their respective fields of expertise; *Provided* that out of the four
22 members of the Commission, at least one (1) shall be a member of the Philippine
23 Bar with a least ten years experience in the active practice of law, and at least
24 one (1) shall be a certified public accountant with at least ten years experience in
25 active practice.
26

27 b) The term of office of each member of the Commission shall be seven (7) years;
28 *Provided*, however, that among the members first appointed, the Chairperson
29 shall serve for a period of seven (7) years, two (2) members shall serve for five
30 (5) years and the other two (2) members shall serve for three (3) years; *Provided*,
31 further, that any member whose term has expired as specified herein shall serve
32 as such until his successor shall have been appointed and qualified; *Provided*,
33 moreover, that any appointment to fill a vacancy in the Commission arising from
34 death, removal, retirement or resignation shall be made only for the unexpired
35 term; and *Provided*, finally, that in no case shall any member serve for more than
36 seven (7) years in the Commission.
37

38 c) The Commission shall meet as often as may be necessary on such day or days
39 as the Chairperson may fix. The presence of at least three (3) members of the
40 Commission shall constitute a quorum, which shall be necessary for the
41 transaction of any business. The affirmative vote of majority of the members of
42 the Commission where a quorum is present shall be necessary for the adoption
43 of any order, resolution, decisions, or other act of the Commission in the exercise
44 of its quasi-judicial functions; *Provided* that in promulgating rules, regulations,
45 guidelines and in the exercise of its quasi-legislative functions, an affirmative vote
46 of three (3) members shall be required.
47

48 d) The Chairman of the Commission shall exercise general executive control and
49 supervision of the Commission and its members, staff and personnel, agents and
50 representatives.
51

52 Within three (3) months from the creation of the WRC and the appointment of all
53 Members of the Commission, the Chairman shall submit for the approval by the
54 President of the Philippines the new organizational structure and plantilla
55 positions necessary to carry out the powers and functions of the Commission,
56 including those of the Central and Provincial Regulatory Units.
57

1 The staff and personnel positions of the WRC shall be filled by regular
2 appointments in accordance with a staffing plan to be prepared by the
3 Commission.

- 4
- 5 e) Members of the Commission shall enjoy security of tenure and shall not be
6 suspended or removed from office except for just cause as specified by law.
- 7
- 8 f) The Chairman and members of the Commission or any of their relatives within
9 the fourth civil degree of consanguinity or affinity, legitimate or common law, shall
10 be prohibited from holding any interest whatsoever, either engaged in the
11 business or transmitting, generating, supplying or distributing any form of energy
12 and must, therefore, divest through sale or legal disposition of any and all
13 interests in the water sector upon assumption of office.
- 14

15

16 **SEC. 9. Executive Director. –**

17

18 The WRC shall appoint an Executive Director who shall head the WRC
19 Secretariat, keep and maintain the official record and report of the proceedings of the
20 Commission, and have the authority to administer oaths in all matters falling within the
21 jurisdiction of the Commission.

22

23 The Executive Director shall be responsible for the effective implementation of
24 the policies, plans, programs, rules, regulations and directives of the Commission,
25 coordinate and supervise the activities of the different operating units under the
26 Commission; and perform such functions as may be assigned by the Chairperson
27 and/or other members of the Commission.

28

29 **SEC. 10. WRC Secretariat. –**

30

31 The Commission shall also establish a Secretariat which shall provide the
32 Commission with technical and other support including, *among others*:

33

- 34 a) Providing the necessary technical inputs and secretariat support to the
35 Commission to facilitate the conduct of its functions;
- 36
- 37 b) Coordinating with Regulatory Units to ensure proper implementation of the
38 rules, regulations and guidelines promulgated by the Commission;
- 39
- 40 c) Monitoring and assessing activities of the Regulatory Units vis-à-vis their
41 respective annual performance plan and targets;
- 42
- 43 d) Maintaining a database on the WSS sector; and
- 44
- 45 e) Coordinating with other relevant agencies of the national or local government
46 on any matter relating to WSS.
- 47

48 **SEC. 11. Compensation and Other Emoluments. –**

49

50 The compensation of the members of the Commission and its staff shall be
51 exempted from the coverage of Republic Act No. 6758, otherwise known as the "Salary
52 Standardization Act," Provided, that the salaries of the Commission and its staff shall
53 conform as closely as possible to the principles of RA 6758.

54

55 For this purpose, the schedule of compensation of the Commission and its
56 Regulatory Units and staff shall be submitted for approval of the President of the
57 Philippines. The compensation schedule of the Commission and its Regulatory Units

1 and staff shall be implemented within six (6) months from the effectivity of this Act and
2 may be upgraded by the President of the Philippines as the need arises: Provided
3 further, that in no case shall the compensation of the Commission and its staff be
4 upgraded more than once a year.

5 Pertinent civil service laws, rules and regulations of the Philippines shall be applicable
6 to the Commission.

7
8 The Chairman and members of the Commission shall initially be entitled to the
9 same salaries, allowances and benefits as those of the Presiding Justice and Associate
10 Justice of the Supreme Court, respectively.

11 12 **CHAPTER 3 – REGISTRATION AND LICENSING**

13 14 **SEC. 12. *Registration and Licensing of All Water Supply and/or Sanitation*** 15 ***Services.*** –

16
17 All Water Supply and/or Sanitation Service Providers, including Bulk Water
18 Suppliers and those providing services to subdivisions and/or other Service Providers,
19 shall register with the Commission and, subject to such rules, guidelines, procedures
20 and other issuances as the Commission may issue, obtain a License to operate from
21 the appropriate Regulatory Units.

22
23 The Commission shall also ensure that the granting and revocation of licenses
24 are carried out fairly, transparently, and without discrimination. Its issuances shall
25 therefore specify, among others, the qualifications, requirements and procedure for the
26 granting and revocation of Licenses, as well as the standards and performance targets
27 that must continuously be complied with in order to keep such licenses valid.

28
29 Unless otherwise provided herein or by the Commission, no public Water Supply
30 and/or Sanitation Service provider shall commence or conduct the business of providing
31 water supply and sanitation services without first obtaining a license.

32
33 Concession agreements and other contracts for water supply provision currently
34 existing shall remain valid and in force, unless otherwise invalidated by the Commission
35 where public interest so dictates, after due notice and hearing.

36 37 **SEC. 13. *Conditions of License.*** –

38
39 The commission and/or the concerned Regulatory Unit, may impose such
40 conditions in the issued License, as it may be deem necessary, as such but not limited
41 to:

- 42
43 a) Tariffs, rates and charges that may be imposed from its customers/consumers.
44
45 b) Term fixing the duration of the privilege.
46
47 c) Grounds for modification, suspension or cancellation of the License.
48
49 d) Minimum technical performance an service level standards.
50
51 e) Expansion targets and service level improvement over time.
52
53 f) Restrictions or conditions for transferability of the business or controlling interest
54 in the business.
55
56 g) Reportorial requirements and obligations of the grantee.

1 h) Submission to annual performance audit by the Commission of its duly
2 authorized representative(s).
3

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 or Certificate of Conformance shall register with the Commission and apply
7 for a License within six (6) months from the effectivity of this Act.
8

9 **SEC. 14. *Rights and Duties of Licensees.* –**
10

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

14 a) foster the maintenance and development of efficient, coordinated, and viable
15 operation of their licensed activities;
16

17 b) ensure that their Water Supply and/or Sanitation Services are provided in a
18 diligent, conscientious and workmanlike manner, in accordance with
19 applicable laws and the standards and practices set by the Commission and
20 generally accepted in the Philippine and interWater supply and/or sanitation
21 industry;
22

23 c) comply with drinking water quality requirements and other requirements and
24 standards that may be set by the Commission; and
25

26 d) not abandon its service without notice to and approval by the Commission.
27

28
29 (2) Any person granted a license under this Act shall, to the extent allowed by law
30 and specified in the License, have the rights to acquire or lease land and lay or
31 repair water or sanitation mains and other relevant facilities in public ways, when
32 required to fulfill their obligations.
33

34 (3) Subject to any condition or limitation laid down in the License, a License may
35 disconnect the supply of Water Supply and/or Sanitation services to a customer if
36 such customer defaults in the payment of amount(s) due to that Licensee in
37 respect of water supplied or sanitation services provided, or for acts of pilferage
38 pursuant to Sections 8, 9, 10 and 11 of Republic Act No. 8041, otherwise known
39 as the "Water Crisis Act of 1995."
40

41 (4) Any License issued under this Act shall contain provisions designed to ensure
42 that Licensees:

43 a) Publish the Tariff and other charges approved by the Commission, and other
44 terms and conditions imposed by the Commission for the provision of Water
45 Supply and/or Sanitation Services.
46

47 b) Prepare within three (3) months from the issuance of a License, in
48 consultation with its customers, a customer service code specifying the
49 manner and procedure for: (a) metering, billing, and collection of the
50 Licensee's approved tariff and other charges, (b) disconnection or suspension
51 of service in case of non-payment of tariffs and/or other charges, or acts of
52 pilferage, and (c) recommendation and recovery of arrears in tariffs and other
53 charges; and
54

55 c) Maintain financial accounts in accordance with the manner and procedure
56 specified in the License and as may be required by the Commission.
57

- 1
2 d) Maintain and upon request by anyone during regular office hours, promptly
3 make available for scrutiny and inspection such data, statistics and other
4 information, as may be required by the Commission.
5

6 **SEC.15. *Setting Tariffs, Rates and Other Charges.* –**
7

8 Regulatory Units shall establish tariffs, rates and other charges which are fair and
9 reasonable and which provide for the economic viability of the service and a fair return
10 on their investments considering the prevailing cost of capital in the domestic and
11 international markets.
12

13 Such tariffs, rates and charges shall be based on and consistent with a rate-
14 setting methodology that the Commission shall, after due consultation, define and
15 publish, taking into account the following, among others:
16

- 17 i. reasonable and prudent capital and recurrent costs of providing the service
18 including a reasonable rate of return on capital;
19
20 ii. efficiency of the service;
21
22 iii. incentives for enhancement of efficiency;
23
24 iv. willingness to pay of the customers/consumers;
25
26 v. equity considerations; and,
27
28 vi. administrative simplicity.
29

30 Tariffs, rates and charges set by the Regulatory Units shall be presumed valid
31 and reasonable unless a protest or contest is filed with the Commission.
32

33 **SEC.16. *Promotion of Innovative Schemes to Improve Efficiency and***
34 ***Management of Systems.* –**
35

36 The Commission shall promote innovative schemes, including but not limited to
37 the consolidation and/or integration of Water Supply and/or Sanitation Services and/or
38 Providers in the same Service Area, where it will result in improved efficiency, services
39 expansion and/or lowering of costs.
40

41 To this end, the Commission shall establish and issue such rules and guidelines
42 as may be necessary to (a) create incentives to encourage efficiency and service
43 expansion; (b) establish the standards and targets that service providers are required to
44 meet; and (c) set the fines and penalties that would be imposed for failure to meet such
45 standards and targets.
46

47 **CHAPTER 4 – QUASI-JUDICIAL FUNCTIONS OF THE COMMISSION**
48

49 **SEC. 17. *Proceedings Before the Commission.* –**
50

51 For the purpose of any investigation, inquiry or proceeding, the Commission shall have
52 the requisite power to:
53

- 54 a) Issue subpoena duces tecum and subpoena duces tecum testificandum;
55
56 b) Appoint a Commissioner to hear and receive evidence on behalf of the
57 Commission;

- 1
2 c) Cite any person or party for contempt for refusal to appear, testify or comply
3 with an order of the Commission on any matter that is the subject of
4 investigation, inquiry or proceeding before the Commission.
5

6 **SEC. 18. Order and Decisions of the Commission.** –
7

8 The orders, resolutions and decisions of the Commission, which must be
9 reached as promptly and expeditiously as reasonably and fairly possible, shall be in
10 writing and shall state clearly and distinctly the facts and law on which it is based.
11

12 The Commission shall publish and make available for public inspection all
13 decisions and final orders in the adjudication of contested cases or applications.
14

15 **SEC. 19. Appeals Procedure and Prohibition Against Injunction.** –
16

- 17 (1) The orders, rulings, and decisions of the Commission are final and executory unless
18 appealed to the Court of Appeals within fifteen (15) days from receipt of notice of
19 such order, ruling or decision, *Provided* that orders, rulings, and decisions of the
20 Commission approving tariffs shall be immediately executory and may be
21 suspended only upon appeal and filing of a bond, in an amount to be fixed by the
22 Commission, to answer for damages occasioned by the suspension or stay of
23 execution of such orders, rulings and decisions.
24
- 25 (2) No injunction may be issued by any court or administrative agency to restrain any
26 proceeding before, or the implementation or execution of any order, ruling or
27 decision of the Commission, except on the basis of a question of law brought before
28 the Supreme Court on certiorari.
29
- 30 (3) Subject to Sec. 7, paragraph 3 of this Act, an act or decision of the Commission shall
31 not be invalid merely because of the defect or irregularity in, or in connection with,
32 the appointment or vacancy in the Office of the Chairperson or any other member of
33 the Commission.
34

35 **CHAPTER 5 – TRANSITORY PROVISIONS**
36

37 **SEC. 20. Interface with Other Sector Regulators.** –
38

- 39 (1) The Department of Environment and Natural Resources shall continue to have the
40 primary authority and responsibility for protecting the environment and the quality
41 water resources from waste and pollution and shall promulgate rules, regulations,
42 and standards in this regard.
43
- 44 (2) The Department of Health shall have primary authority and responsibility for
45 determining and enforcing drinking water quality and sanitation standards. The
46 Commission shall coordinate with the DOH in this regard, and shall ensure the
47 consistency of the standards and targets that it will set for compliance by licensees
48 with the DOH's mandate standards.
49
- 50 (3) The Commission shall coordinate with the NWRB for water allocation and data
51 collection, the local government units for development projects relating to water
52 supply and sanitation, and the Department of Public Works and Highways for flood
53 control and the harnessing and impounding of water.
54

55 **SEC. 21. Transfer of Rights and Obligations.** –
56

1 The Commission shall, by virtue of this Act, be subrogated to all the rights, and
2 assume all the obligations, of the Water Utilities Division of the NWRB, the Regulatory
3 Offices of MWSS and LWUA, the Regulatory Units of all special economic zones, and
4 all other government agencies and units whose powers and functions have been
5 transferred to the Commission.
6

7 The transfer of powers and functions in the Department and agencies attached
8 thereto, as herein provided for, shall take effect within six (6) months after the effectivity
9 of this Act. The foregoing transfer of powers and functions shall include all applicable
10 funds, personnel records, property and equipment, as may be necessary. The same
11 shall apply to agencies which have been attached to the Department by virtue of this
12 Act.
13

14 As such, all offices under the Department and all attached agencies affected by
15 the provisions of this Act shall continue to function under their present mandates until
16 transition is effected as provided for under this Act.
17

18 The heads of the agencies shall continue to serve until replaced as provided for under
19 this Act.
20

21 All rights and obligations of the said government agencies are hereby transferred
22 to and assumed by the Commission and shall be acted upon in accordance with the
23 rules and regulations of the Commission on Audit and other pertinent laws, rules and
24 regulations.
25

26 **SEC. 22. Separation from Service.** – Employees separated from government
27 service as a result of this Act shall be entitled to the benefits which they may receive
28 under existing laws, rules and regulations.
29

30 **SEC. 23. Funding.** – The sum of _____ (P
31 _____,00) Pesos shall be set aside from any available funds of the National
32 Treasury, and is hereby appropriated and authorized to be released, for the
33 organization of the Commission and its initial operations.
34

35 Thereafter, funds sufficient to fully carry out the objectives, powers, and functions
36 of the Commission and its Regulatory Units shall be appropriated every fiscal year in
37 the General Appropriations Act, in an amount that shall not be less than the amount
38 appropriated for it the previous year.
39

40 The Commission shall submit its annual budget, which shall include, among
41 others, detailed information on the compensation and benefits received by their
42 employees, to the Office of the President for approval.
43

44 Moreover, subject to existing rules and regulations, ____ percent (____ %) of
45 funds and monies collected by the Commission from fees, charges, surcharges and
46 penalties, which the Commission may impose and collect under this Act, shall accrue
47 directly and automatically to the Commission. The guidelines for the collection and
48 disbursement of these proceeds shall be defined in the implementing rules and
49 regulations of this Act. Of this amount, and where applicable, _____ percent
50 (____%) of fees and monies that may have been collected by the Regulatory Units shall
51 automatically be retained by it, and the rest of the collection shall then be remitted to the
52 Commission.
53

54 The abovementioned retained amounts shall be used exclusively for training and
55 capacity building purposes, including the upgrade and procurement of equipment and
56 software as may be necessary for the efficient and effective exercise of its powers.

1 Such upgrades and procurements shall comply with the requirements of existing laws
2 on procurement, accounting and auditing rules and regulations.
3

4 The amount of funds and monies collected, and the cost and purposes for which
5 such were expended shall be made publicly available upon request, as well as on an
6 official website that the Commission shall establish.
7

8 **SEC. 24. Effectivity.** – This Act shall take effect immediately upon its approval.
9 The Chairman of the Commission shall, after due consultation with stakeholders,
10 promulgate such other rules and regulations as may be necessary and appropriate to
11 implement this Act.
12

13 **SEC. 25. Separability Clause.** – In the event that any provision of this Act is
14 declared unconstitutional, invalid, or illegal, the constitutionality, validity, or legality of
15 the remainder of the provisions of this Act shall not be affected thereby.
16

17 **SEC. 26. Repealing Clause.** – The provision with respect to fixing of water rates
18 and sanitation service fees of Section 3 (h) and Section 12, and regulation of
19 waterworks and deep wells of Section 3 (n), regulation of waterworks and sanitation of
20 systems in privately owned subdivisions of Section 3 (p) of Republic Act 6234, as
21 amended, is hereby repealed or modified accordingly.
22

23 Section 62 on regulation and Section 63 on rate review of Presidential Decree
24 198, as amended by LOI 700 (1978), LOI 744 (1978), EO 124 (1987), EO 123 (2002), is
25 hereby repealed or modified accordingly.
26

27 The provisions of the Local Government Code and its Implementing Rules and
28 Regulations of Republic Act No. 7160 which allow local government units to fix the rates
29 of water utilities owned, operated and maintained by them within their jurisdiction is
30 hereby repealed or modified accordingly.
31

32 Section 13 (b) on regulation of enterprises in ECOZONE of Republic Act No.
33 7916 as amended, also known as the Special Economic Zone Act of 1995, is hereby
34 repealed or modified accordingly.
35

36 “Provisions under Section 69 of Republic Act No. 9593 or the Tourism Act of
37 2009 and its Implementing Rules and Regulations which mandates the Tourism
38 Infrastructure and Enterprise Zone Authority to grant franchises, supervise the operation
39 of public utilities, and register, monitor and regulate enterprises within Tourism
40 Enterprise Zones, are hereby repealed or modified accordingly.”
41

42 Commonwealth Act No. 146, as amended, otherwise known as the “Public
43 Service Act,” and all laws, decrees, rules and regulations, or portion thereof,
44 inconsistent with this Act are hereby repealed or modified accordingly.
45

46 All other laws, decrees, rules and regulations and executive orders that are
47 contrary to or inconsistent with this Act are hereby repealed or modified accordingly.
48

49 **SEC. 27. Effectivity Clause.** – This Act shall take effect fifteen (15) days following
50 the completion of its publication in a national newspaper of general circulation.
51

52
53 *Approved,*