



FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )

11 JAN 18 P5:19

SENATE

RECEIVED BY: 2

S.B. No. 2641

**Introduced by Senator EDGARDO J. ANGARA**

**EXPLANATORY NOTE**

The Philippines is endowed with abundant fresh water resources but, ironically, is unable to provide steady access to potable water supply for all Filipinos. Lack of access to safe, clean drinking water and sufficient water sanitation affect the quality of life enjoyed by our citizens as these have significant implications on health, food security, productivity and livelihood.

The country has been aiming to attain universal access to safe, adequate, affordable and sustainable water supply for all Filipinos. The 2007 Annual Poverty Indicators Survey of the National Statistics Office shows the gaps we still need to fill. On the average, nearly 83 percent of Filipino families have access to safe water. However, less than half of families living in the Autonomous Region of Muslim Mindanao have the same benefit.

One in every five Filipino families, or 17 percent, remain without access to a safe water supply. It is a problem that is more pronounced among the poor where seven in 10 families use water considered unsafe for consumption. Furthermore, one in every 10 Filipino families have no sanitary toilet facilities.

Our domestic water supply sector is plagued by a fragmented institutional setup and weak regulatory framework. The water supply sector is primarily regulated by the National Water Resources Board (NWRB), Local Water Utilities Administration (LWUA) and Local Government Units. Special regulatory bodies also exist, such as the Subic Bay Regulatory Board and Metropolitan Waterworks and Sewerage System (MWSS) - Regulatory Office.

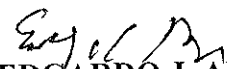
Based on World Bank data, there were more than 6,000 water service providers in the country as of 2005. More specifically, this comprised of 580 water districts, 1,000 LGU utilities, 500 Rural Water Supply Associations, 3,100 Barangay Water Supply Associations, 200 cooperatives and 900 private firms.

This indicates an extensive network of water suppliers but inadequate centralized regulation. Regulatory bodies involved have different practices, processes and fees. Their functions and jurisdictions inevitably overlap. It is imperative that an independent economic regulator be made in charge of regulating water supply, sewerage

and septage management services so universal access can be realized faster.

The Water Regulatory Act of 2011 seeks to rationalize the economic regulation of water utilities through an independent, quasi-judicial body called the Water Regulatory Commission. Among its functions are to set the policy for water supply, sewerage and septage management; issue licenses; set, review and approve rates; review and suspend contracts; and ensure that the welfare of consumers are prioritized. To streamline organizational functions and responsibilities, the pertinent regulatory units of the MWSS, NWRB and LWUA will also be transferred to the commission.

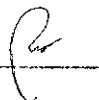
Every Filipino has a right to clean water and requisite sanitation. We should endeavor to ensure that all Filipinos have the full benefit of this most fundamental of human rights. Hence, the expeditious approval of the Water Regulatory Act of 2011 is earnestly requested.

  
**EDGARDO J. ANGARA**

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

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

**CHAPTER 1 - GENERAL PROVISIONS**

1  
2  
3       **SEC. 1.**       *Short Title.* This Act shall be known as the "*Water Regulatory*  
4 *Act of 2010*". ~~2011~~

5  
6       **SEC. 2.**       *Declaration of National Policy.* – It is hereby declared the policy  
7 of the State to recognize, protect, realize and enhance the right of all Filipinos to safe and  
8 clean drinking water and sanitation as essential to the full enjoyment of life and all human  
9 rights.

10  
11 In the pursuit of this Policy, this Act shall have the following objectives:

- 12  
13       a) To prioritize and seek the immediate attainment of universal access to safe,  
14 adequate, affordable and sustainable water supply and sanitation services for *all*  
15 Filipinos, and adopt all necessary measures directed towards the realization of the  
16 human right to water,
- 17       b) To accelerate the expansion, improvement and, ultimately, efficient provision of  
18 Level III water supply systems and sanitation services for the entire country, in a  
19 manner consistent with the protection, preservation and revival of the quality of the  
20 country's water resources;
- 21       c) To encourage and enable private sector leadership in the continued growth and  
22 development of water supply and septage management and sewerage facilities and  
23 services;  
24

- 1 d) To create a business and regulatory environment that is level, transparent and  
2 conducive for public and private domestic and foreign investment in water supply  
3 and sanitation services;
- 4 e) To provide incentives and/or support to encourage investments, and/or take all  
5 steps necessary for the provision of affordable access to water supply and sanitation  
6 services in unserved and underserved areas,
- 7 f) To ensure that water resources allocated to water service providers are used  
8 efficiently to meet public demand;
- 9 g) To ensure fair, just and reasonable tariffs, rates and charges for water supply and  
10 sanitation services;
- 11 h) To protect the legal and other interests of consumers of water supply and  
12 sanitation services rendered by public and private sector licensees;
- 13 i) To establish an administrative process for economic regulation that is stable,  
14 transparent and fair, giving due emphasis to technical, legal, environmental,  
15 economic and financial considerations and with due regard to the observance of due  
16 process at all times; and
- 17 j) To establish a strong and independent economic regulatory body to ensure  
18 consumer protection, promote good business practice and competition among  
19 Service Providers and full public accountability to achieve greater operational and  
20 economic efficiency.

21 **SEC. 3. Definition of Terms.** – As used under this Act, the following words or  
22 terms shall have the following meaning:  
23

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

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

36  
37 Level II (*communal faucet system or standposts*) - a system composed of a  
38 source, a reservoir, a piped distribution network, and communal faucets.  
39 Usually, one faucet serves 4 to 6 households. Generally suitable for rural and

1 urban fringe areas where houses are clustered densely to justify a simple  
2 piped system.

3  
4 Level III (*waterworks system or individual house connections*) - a system  
5 with a source, a reservoir, a piped distribution network and household taps.  
6 It is generally suited for densely populated urban areas.

7  
8 d) "License" shall mean the Water Supply and/or Sanitation Services Operating  
9 License that the Commission is authorized to grant and issue to Service Providers.

10 e) "Licensee" shall mean the Service Provider to whom a License is granted or issued  
11 by the Commission.

12 f) "LWUA" shall mean the Local Water Utilities Administration created under  
13 Presidential Decree No. 198, as amended.

14 g) "MWSS" shall mean the Metropolitan Waterworks and Sewerage System, created  
15 by Republic Act 6234.

16 h) "NWRB" shall mean the National Water Resources Board created by Presidential  
17 Decree No. 424, as amended by Executive Order No. 124-A.

18 i) "Regulatory Units" shall refer to the regulatory offices established under Section 5  
19 of this Act to issue Licenses authorizing the operation of Water Supply and  
20 Sanitation Services; provide, review, determine, fix, and approve water and  
21 sewerage tariffs, rates and charges that Licensees may impose; and exercise such  
22 other functions and powers as may be provided hereunder.

23 j) "Sanitation" as used under this Act, refers only to sewerage and septage  
24 management.

25  
26 k) "Service Area" shall refer to the area covered by the water distribution system,  
27 sewerage and septage management services.

28  
29 l) "Service Provider" shall refer to any entity, natural or juridical, whether private  
30 or public, providing or intending to provide levels II & III water supply,  
31 including bulk water suppliers; sewerage; and/or septage treatment and disposal  
32 services for domestic/residential, industrial or commercial use.

33 m) "Sewerage" shall refer to any system or network of pipelines, ditches, channels or  
34 conduits including pumping stations, lift stations and force mains, service  
35 connections including other constructions, devices or appliances appurtenant  
36 thereof, which includes the collection, transport, pumping and treatment of water-  
37 borne human or animal waste removed from residences, buildings, institutions,  
38 industrial and commercial establishments to point of disposal.

39 n) "Septage" shall refer to sludge produced on individual onsite wastewater disposal  
40 systems, principally septic tanks and cesspools.

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

## 15 CHAPTER 2 - ORGANIZATION

16  
17 **SEC. 4. *The Water Regulatory Commission.*** – There is hereby created and  
18 established an independent, quasi-judicial regulatory body to be named the Water  
19 Regulatory Commission, hereinafter referred to as the "Commission", which shall be  
20 organized within one hundred twenty (120) days after the effectivity of this Act.

21  
22 The Commission shall be placed under the administrative supervision of the Office of  
23 the President.

24  
25 The Commission shall have a Board of Commissioners, and shall be vested with powers  
26 and functions, as conferred and set forth hereunder

27  
28 **SEC. 5. *The Regulatory Units.*** – The Regulatory Units of the Commission  
29 shall be composed of the Provincial Regulatory Units and the Central Regulatory Unit.

30  
31 The Provincial Regulatory Units shall be established by the Commission in accordance  
32 with such rules, regulations, guidelines and standards as the Commission shall issue, and  
33 as provided hereunder.

34  
35 Moreover, the pertinent regulatory divisions or units of MWSS, NWRB and LWUA are  
36 hereby transferred to the Commission, and they shall collectively comprise its Central  
37 Regulatory Unit for water supply and sanitation services that

- 38  
39 (a) provide services to more than one province;  
40 (b) are owned, operated and/or maintained by special economic zones and Metro  
41 Manila concessionaires.

42  
43 **SEC. 6. *Powers and Functions of the Commission.*** – The overall authority  
44 and powers of the Commission shall cover and apply to all Service Providers, whether  
45 private or public, providing or intending to provide levels II & III water supply,  
46 including suppliers to subdivisions and/or other Service Providers; sewerage; and/or

1 septage treatment and disposal services for domestic/residential, industrial or commercial  
2 use.

3  
4 The Commission shall have the following powers and functions:

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

- 1 order, rule regulation or requirement issued by the Commission;
- 2 m) Require any Licensee to pay the actual expenses incurred by the Commission in  
3 any investigation if it shall be found that a Licensee violated any provision of  
4 this Act or of the license, order, rule regulation or requirement issued by the  
5 Commission;
- 6 n) Advise, apprise and coordinate with other relevant agencies of the national or  
7 local government on any matter relating to Water Supply and/or Sanitation  
8 Services;
- 9 o) Deputize agents, whether from the public or private sector, to assist in the  
10 performance of any of the powers and functions of the Commission;
- 11 p) Upon appeal and after due hearing, appoint an interim or temporary management  
12 committee to ensure continuity of service in cases a Licensee fails to meet  
13 conditions of the license and the concerned Regulatory Unit fails or refuses to  
14 appoint an interim management committee as provided in the following section.
- 15 q) Appoint, hire and maintain adequate staff and personnel, advisers, and/or  
16 consultants, with suitable qualifications and experience, as necessary;
- 17 r) Original and exclusive jurisdiction over all cases contesting rates, fees, fines and  
18 penalties imposed by the Regulatory Units in the exercise of their powers,  
19 functions and responsibilities, as set forth herein, and over all cases involving  
20 disputes between and among participants or stakeholders in the Water Supply  
21 and Sanitation services; and
- 22 s) Such other incidental powers and functions as may be necessary to attain the  
23 objectives of this Act.

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

- 26
- 27 a) Subject to the review and approval of the Commission, issue and  
28 promulgate rules, regulations and guidelines as may be necessary to implement  
29 and enforce its powers and functions under this Section;
- 30 b) Issue Licenses authorizing the operation of Water Supply and Sanitation  
31 Services in any specified area or areas within the Philippines.
- 32 c) Impose fines, charges and other penalties upon any Provider and/or its  
33 officers and stockholders who shall fail or refuse to register and/or obtain a  
34 License prior to operation or commencement of business, as provided hereunder.
- 35 d) Consistent with rules, guidelines, procedures and methodologies which the  
36 Commission shall provide, review, determine, fix, and approve proposed water  
37 and sewerage tariffs, rates and charges that Licensees may impose upon their  
38 customers/consumers;



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

- 1 o) Submit performance plans and reports as required by the Commission

2 **SEC. 8. Composition. –**

- 3
- 4 a) The Commission shall be a collegial body composed of five (5) full-time  
5 members composed of a Chairperson and four (4) members, who shall all be  
6 appointed by the President of the Philippines. All members of the Commission  
7 must be citizens and residents of the Philippines, at least thirty five (35) years of  
8 age, and of good moral character, recognized integrity and competence in the  
9 field of law, business, commerce, finance, accounting or public administration,  
10 water or utility economics, management, physical or engineering services,  
11 hydrology and other related services, with at least three (3) years actual and  
12 distinguished experience in their respective fields of expertise; *Provided* that out  
13 of the four members of the Commission, at least one (1) shall be a member of the  
14 Philippine Bar with at least ten years experience in the active practice of law, and  
15 at least one (1) shall be a certified public accountant with at least ten years  
16 experience in active practice.
- 17 b) The term of office of each member of the Commission shall be seven (7) years;  
18 *Provided*, however, that among the members first appointed, the Chairperson  
19 shall serve for a period of seven (7) years, two (2) members shall serve for five  
20 (5) years and the other two (2) members shall serve for three (3) years; *Provided*,  
21 further, that any member whose term has expired as specified herein shall serve  
22 as such until his successor shall have been appointed and qualified; *Provided*,  
23 moreover, that any appointment to fill a vacancy in the Commission arising from  
24 death, removal, retirement or resignation shall be made only for the unexpired  
25 term; and *Provided*, finally, that in no case shall any member serve for more than  
26 seven (7) years in the Commission.
- 27 c) The Commission shall meet as often as may be necessary on such day or days as  
28 the Chairperson may fix. The presence of at least three (3) members of the  
29 Commission shall constitute a quorum, which shall be necessary for the  
30 transaction of any business. The affirmative vote of majority of the members of  
31 the Commission where a quorum is present shall be necessary for the adoption of  
32 any order, resolution, decisions, or other act of the Commission in the exercise of  
33 its quasi-judicial functions; *Provided* that in promulgating rules, regulations,  
34 guidelines and in the exercise of its quasi-legislative functions, an affirmative  
35 vote of three (3) members shall be required.
- 36 d) The Chairman of the Commission shall exercise general executive control and  
37 supervision of the Commission and its members, staff and personnel, agents and  
38 representatives.

39 Within three (3) months from the creation of the WRC and the appointment of all  
40 Members of the Commission, the Chairman shall submit for the approval by the  
41 President of the Philippines the new organizational structure and plantilla positions  
42 necessary to carry out the powers and functions of the Commission, including  
43 those of the Central and Provincial Regulatory Units.

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 Commission.

3  
4 e) Members of the Commission shall enjoy security of tenure and shall not be  
5 suspended or removed from office except for just cause as specified by law.

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

13 **SEC. 9. Executive Director. –**

14  
15 The WRC shall appoint an Executive Director who shall head the WRC Secretariat, keep  
16 and maintain the official record and report of the proceedings of the Commission, and  
17 have the authority to administer oaths in all matters falling within the jurisdiction of the  
18 Commission.

19  
20 The Executive Director shall be responsible for the effective implementation of the  
21 policies, plans, programs, rules, regulations and directives of the Commission; coordinate  
22 and supervise the activities of the different operating units under the Commission; and  
23 perform such functions as may be assigned by the Chairperson and/or other members of  
24 the Commission.

25  
26 **SEC. 10. WRC Secretariat**

27  
28 The Commission shall also establish a Secretariat which shall provide the Commission  
29 with technical and other support including, *among others*:

30  
31 a) Providing the necessary technical inputs and secretariat support to the Commission  
32 to facilitate the conduct of its functions;

33 b) Coordinating with Regulatory Units to ensure proper implementation of the rules,  
34 regulations and guidelines promulgated by the Commission;

35 c) Monitoring and assessing activities of the Regulatory Units vis-à-vis their  
36 respective annual performance plans and targets;

37 d) Maintaining a database on the WSS sector; and

38 e) Coordinating with other relevant agencies of the national or local government on  
39 any matter relating to WSS.

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

41  
42 The compensation of the members of the Commission and its staff shall be exempt from  
43 the coverage of Republic Act. No. 6758, otherwise known as the “Salary Standardization

1 Act.” Provided, that the salaries of the Commission and its staff shall conform as closely  
2 as possible to the principles of R.A. 6758.

3  
4 For this purpose, the schedule of compensation of the Commission and its Regulatory  
5 Units and staff shall be submitted for approval of the President of the Philippines. The  
6 compensation schedule of the Commission and its Regulatory Units and staff shall be  
7 implemented within six (6) months from the effectivity of this Act and maybe upgraded  
8 by the President of the Philippines as the need arises: Provided further, that in no case  
9 shall the compensation of the Commission and its staff be upgraded more than once a  
10 year.

11  
12 Pertinent civil service laws, rules and regulations of the Philippines shall be applicable to  
13 the Commission.

14  
15 The Chairman and members of the Commission shall initially be entitled to the same  
16 salaries, allowances and benefits as those of the Presiding Justice and Associate Justices of  
17 the Supreme Court, respectively.

### 18 19 **CHAPTER 3 - REGISTRATION AND LICENSING**

#### 20 21 **SEC. 12. *Registration and Licensing of All Water Supply and/or Sanitation*** 22 ***Services –***

23  
24 All Water Supply and/or Sanitation Service Providers, including Bulk Water Suppliers  
25 and those providing services to subdivisions and/or other Service Providers, shall register  
26 with the Commission and, subject to such rules, guidelines, procedures and other  
27 issuances as the Commission may issue, obtain a License to operate from the appropriate  
28 Regulatory Units.

29  
30 The Commission shall also ensure that the granting and revocation of licenses are carried  
31 out fairly, transparently, and without discrimination. Its issuances shall therefore  
32 specify, among others, the qualifications, requirements and procedure for the granting  
33 and revocation of Licenses, as well as the standards and performance targets that must  
34 continuously be complied with in order to keep such licenses valid.

35  
36 Unless otherwise provided herein or by the Commission, no public Water Supply and/or  
37 Sanitation Service provider shall commence or conduct the business of providing water  
38 supply and sanitation services without first obtaining a license.

39  
40 Concession agreements and other contracts for water supply provision currently existing  
41 shall remain valid and in force, unless otherwise invalidated by the Commission where  
42 public interest so dictates, after due notice and hearing.

#### 43 44 **SEC 13. *Conditions of License. -***

45  
46 The Commission and/or the concerned Regulatory Unit, may impose such conditions in the  
47 issued License, as it may be deem necessary, such as but not limited to:

- 48  
49 a) Tariffs, rates and charges that may be imposed from its customers/consumers.  
50 b) Term fixing the duration of the privilege.

- 1 c) Grounds for modification, suspension or cancellation of the License.
- 2 d) Minimum technical performance and service level standards.
- 3 e) Expansion targets and service level improvements over time.
- 4 f) Restrictions or conditions for transferability of the business or controlling  
5 interest in the business.
- 6 g) Reportorial requirements and obligations of the grantee.
- 7 h) Submission to annual performance audit by the Commission or its duly  
8 authorized representative(s).

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

13  
14 All existing providers of Water Supply and/or Sanitation Services without a legal and  
15 valid Certificate of Public Convenience/Certificate of Public Convenience and Necessity  
16 or Certificate of Conformance shall register with the Commission and apply for a  
17 License within six (6) months from the effectivity of this Act.

18  
19 **SEC. 14. *Rights and Duties of Licensees.* –**

- 20  
21 (1) Any person granted a License under this Act shall have the obligation to ensure that  
22 its licensed activities are conducted so as to further the public interest and, in  
23 particular, that they:
- 24 a) foster the maintenance and development of efficient, coordinated, and viable  
25 operation of their licensed activities;
  - 26 b) ensure that their Water Supply and/or Sanitation Services are provided in a  
27 diligent, conscientious and workmanlike manner, in accordance with applicable  
28 laws and the standards and practices set by the Commission and generally  
29 accepted in the Philippine and interWater supply and/or sanitation industry;
  - 30 c) comply with drinking water quality requirements and other requirements and  
31 standards that may be set by the Commission; and
  - 32 d) not abandon its service without notice to and approval by the Commission.
- 33 (2) Any person granted a License under this Act shall, to the extent allowed by law and  
34 specified in the License, have the right to acquire or lease land and lay or repair  
35 water or sanitation mains and other relevant facilities in public ways, when required  
36 to fulfill their obligations.
- 37 (3) Subject to any condition or limitation laid down in the License, a Licensee may  
38 disconnect the supply of Water Supply and/or Sanitation services to a customer if  
39 such customer defaults in the payment of amount(s) due to that Licensee in respect

1 of water supplied or sanitation services provided, or for acts of pilferage pursuant to  
2 Sections 8, 9, 10, and 11 of Republic Act No. 8041, otherwise known as the "Water  
3 Crisis Act of 1995."

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

6 a) Publish the Tariff and other charges approved by the Commission, and other  
7 terms and conditions imposed by the Commission for the provision of Water  
8 Supply and/or Sanitation Services.

9 b) Prepare, within three (3) months from the issuance of a License, in consultation  
10 with its customers, a customer service code specifying the manner and procedure  
11 for: (a) metering, billing, and collection of the Licensee's approved tariff and  
12 other charges, (b) disconnection or suspension of service in case of non-payment  
13 of tariffs and/or other charges, or acts of pilferage, and (c) recommendation and  
14 recovery of arrears in tariffs and other charges; and

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

17 d) Maintain and upon request by anyone during regular office hours, promptly  
18 make available for scrutiny and inspection such data, statistics and other  
19 information, as may be required by the Commission

20  
21 **SEC. 15. *Setting Tariffs, Rates and Other Charges.* –**

22  
23 Regulatory Units shall establish tariffs, rates and other charges which are fair and  
24 reasonable and which provide for the economic viability of the service and a fair return on  
25 their investments considering the prevailing cost of capital in the domestic and  
26 international markets.

27  
28 Such tariffs, rates and charges shall be based on and consistent with a rate-setting  
29 methodology that the Commission shall, after due consultation, define and publish, taking  
30 into account the following, *among others*:

31  
32 i. reasonable and prudent capital and recurrent costs of providing the service  
33 including a reasonable rate of return on capital,

34 ii. efficiency of the service;

35 iii. incentives for enhancement of efficiency;

36 iv. willingness to pay of the customers/consumers;

37 v. equity considerations; and

38 vi. administrative simplicity.

39

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

3  
4 **SEC. 16. *Promotion of Innovative Schemes to Improve Efficiency and***  
5 ***Management of Systems. –***

6  
7 The Commission shall promote innovative schemes, including but not limited to the  
8 consolidation and/or integration of Water Supply and/or Sanitation Services and/or  
9 Providers in the same Service Area, where it will result in improved efficiency, services  
10 expansion and/or lowering of costs.

11  
12 To this end, the Commission shall establish and issue such rules and guidelines as may  
13 be necessary to (a) create incentives to encourage efficiency and service expansion; (b)  
14 establish the standards and targets that service providers are required to meet; and (c) set  
15 the fines and penalties that would be imposed for failure to meet such standards and  
16 targets.

17  
18 **CHAPTER 4 - QUASI-JUDICIAL FUNCTIONS OF THE COMMISSION**

19  
20 **SEC. 17. *Proceedings Before the Commission. –***

21  
22 For the purpose of any investigation, inquiry or proceeding, the Commission shall have  
23 the requisite power to:

- 24  
25 a) Issue subpoena duces tecum and subpoena duces tecum ad testificandum;  
26  
27 b) Appoint a Commissioner to hear and receive evidence on behalf of the  
Commission;  
28  
29 c) Cite any person or party for contempt for refusal to appear, testify or comply  
30 with an order of the Commission on any matter that is the subject of  
investigation, inquiry or proceeding before the Commission.

31  
32 **SEC. 18. *Orders and Decisions of the Commission. –***

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

36  
37 The Commission shall publish and make available for public inspection all decisions  
38 and final orders in the adjudication of contested cases or applications.

39  
40 **SEC. 19. *Appeals Procedure and Prohibition Against Injunction. –***

- 41  
42 (1) The orders, rulings, and decisions of the Commission are final and executory unless  
43 appealed to the Court of Appeals within fifteen (15) days from receipt of notice of such  
44 order, ruling or decision; *Provided* that orders, rulings, and decisions of the  
45 Commission approving tariffs shall be immediately executory and may be suspended  
46 only upon appeal and filing of a bond, in an amount to be fixed by the Commission,  
47 to answer for damages occasioned by the suspension or stay of execution of such  
48 orders, rulings, and decisions.

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

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

## 9 CHAPTER 5 - TRANSITORY PROVISIONS

### 10 SEC. 20. *Interface with Other Sector Regulators.* --

11  
12  
13 (1) The Department of Environment and Natural Resources shall continue to have the  
14 primary authority and responsibility for protecting the environment and the quality  
15 water sources from waste and pollution and shall promulgate rules, regulations, and  
16 standards in this regard.

17 (2) The Department of Health shall have primary authority and responsibility for  
18 determining and enforcing drinking water quality and sanitation standards. The  
19 Commission shall coordinate with the DOH in this regard, and shall ensure the  
20 consistency of the standards and targets that it will set for compliance by licensees with  
21 the DOH's mandated standards.

22 (3) The Commission shall coordinate with the NWRB for water allocation and data  
23 collection, the local government units for development projects relating to water supply  
24 and sanitation, and the Department of Public Works and Highways for flood control  
25 and the harnessing and impounding of water.

### 26 SEC. 21. *Transfer of Rights and Obligations.* --

27  
28 The Commission shall, by virtue of this Act, be subrogated to all the rights, and assume all  
29 the obligations, of the Water Utilities Division of the NWRB, the Regulatory Offices of  
30 MWSS and LWUA, the Regulatory Units of all special economic zones, and all other  
31 government agencies and units whose powers and functions have been transferred to the  
32 Commission.

33  
34 The transfer of powers and functions in the Department and agencies attached thereto, as  
35 herein provided for, shall take effect within six (6) months after the effectivity of this Act.  
36 The foregoing transfer of powers and functions shall include all applicable funds,  
37 personnel, records, property and equipment, as may be necessary. The same shall apply to  
38 agencies which have been attached to the Department by virtue of this Act.

39  
40 As such, all offices under the Department and all attached agencies affected by the  
41 provisions of this Act shall continue to function under their present mandates until  
42 transition is effected as provided for under this Act.

43 The heads of the agencies shall continue to serve until replaced as provided for under this  
44 Act.



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

4  
5 **SEC. 22. Separation from Service. –**

6  
7 Employees separated from government service as a result of this Act shall be entitled to the  
8 benefits which they may receive under existing laws, rules and regulations.

9  
10 **SEC. 23. Funding. –**

11  
12 The sum of \_\_\_\_\_ (P \_\_\_\_\_ .00) Pesos shall be set aside from any  
13 available funds of the National Treasury, and is hereby appropriated and authorized to be  
14 released, for the organization of the Commission and its initial operations.

15  
16 Thereafter, funds sufficient to fully carry out the objectives, powers, and functions of the  
17 Commission and its Regulatory Units shall be appropriated every fiscal year in the General  
18 Appropriations Act, in an amount that shall not be less than the amount appropriated for it  
19 the previous year.

20  
21 The Commission shall submit its annual budget, which shall include, among others,  
22 detailed information on the compensation and benefits received by their employees, to the  
23 Office of the President for approval.

24 Moreover, subject to existing rules and regulations, \_\_\_\_ percent (\_\_\_%) of funds and  
25 monies collected by the Commission from fees, charges, surcharges and penalties, which  
26 the Commission may impose and collect under this Act, shall accrue directly and  
27 automatically to the Commission. The guidelines for the collection and disbursement of  
28 these proceeds shall be defined in the implementing rules and regulations of this Act. Of  
29 this amount, and where applicable, \_\_\_\_ percent (\_\_\_%) of fees and monies that may  
30 have been collected by the Regulatory Units shall automatically be retained by it, and the  
31 rest of the collection shall then be remitted to the Commission.

32  
33 The abovementioned retained amounts shall be used exclusively for training and capacity  
34 building purposes, including the upgrade and procurement of equipment and software as  
35 may be necessary for the efficient and effective exercise of its powers. Such upgrades and  
36 procurements shall comply with the requirements of existing laws on procurement,  
37 accounting and auditing rules and regulations.

38  
39 The amount of funds and monies collected, and the costs and purposes for which such  
40 were expended shall be made publicly available upon request, as well as on an official  
41 website that the Commission shall establish.

42  
43 **SEC. 24. Effectivity. –** This Act shall take effect immediately upon its  
44 approval. The Chairman of the Commission shall, after due consultation with stakeholders,  
45 promulgate such other rules and regulations as may be necessary and appropriate to  
46 implement this Act.

47 **SEC. 25. Separability Clause. –**

48

1 In the event that any provision of this Act is declared unconstitutional, invalid, or illegal,  
2 the constitutionality, validity, or legality of the remainder of the provisions of this Act shall  
3 not be affected thereby.

4  
5 **SEC. 26. *Repealing Clause.* -**

6  
7 The provision with respect to fixing of water rates and sanitation service fees of Section 3  
8 (h) and Section 12, and regulation of waterworks and deep wells of Section 3 (n),  
9 regulation of waterworks and sanitation systems in privately owned subdivisions of  
10 Section 3 (p) of Republic Act 6234, as amended, is hereby repealed or modified  
11 accordingly.

12  
13 Section 62 on regulation and Section 63 on rate review of Presidential Decree 198, as  
14 amended by LOI 700 (1978), LOI 744 (1978), EO 124 (1987), EO 123 (2002), is hereby  
15 repealed or modified accordingly.

16  
17 The provisions of the Local Government Code and its Implementing Rules and  
18 Regulations of Republic Act No. 7160 which allow local government units to fix the  
19 rates of water utilities owned, operated and maintained by them within their jurisdiction  
20 is hereby repealed or modified accordingly.

21  
22 Section 13 (b) on regulation of enterprises in ECOZONE of Republic Act No. 7916 as  
23 amended, also known as the Special Economic Zone Act of 1995, is hereby repealed or  
24 modified accordingly.

25  
26 "Provisions under Section 69 of Republic Act No. 9593 or the Tourism Act of 2009 and its  
27 Implementing Rules and Regulations which mandates the Tourism Infrastructure and  
28 Enterprise Zone Authority to grant franchises, supervise the operation of public utilities,  
29 and register, monitor and regulate enterprises within Tourism Enterprise Zones, are hereby  
30 repealed or modified accordingly."

31  
32 Commonwealth Act No. 146, as amended, otherwise known as the "Public Service Act,"  
33 and all laws, decrees, rules and regulations, or portion thereof, inconsistent with this Act  
34 are hereby repealed or modified accordingly.

35  
36 All other laws, decrees, rules and regulations and executive orders that are contrary to or  
37 inconsistent with this Act are hereby repealed or modified accordingly.

38  
39 **SEC. 27. *Effectivity Clause.* -**

40  
41 This Act shall take effect fifteen (15) days following the completion of its publication in a  
42 national newspaper of general circulation.

43  
44  
45 *Approved,...*