

SENATE

S. No. 44

'19 JUL -1 A11 :36

Introduced by Senator Ralph G. Recto

RECEIVED ON \_\_\_\_\_

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

Explanatory Note

The lack of access to safe water supply and sanitation has direct and adverse impact on the health, environment, economic productivity and development. In the 2017 Annual Poverty Indicators Survey (APIS), almost 90 percent of the 24.4 million families have access to safe water supply sufficient and accessible while almost one percent of families still rely on natural sources such as rivers, streams, ponds, lakes or dams.<sup>1</sup> Of the families with access to safe water supply, 51 percent have piped connection and the rest rely on unsustainable communal faucets and point sources.<sup>2</sup> Water refilling stations are becoming popular. Almost four in every ten families (40%) obtain their drinking water from the refilling stations, while 20 percent drink water piped into their dwelling.<sup>3</sup>

The same 2017 APIS study also showed that 88.9 percent of families have access to sanitary toilet facilities while 5.7 percent of families do not use any sanitation facility.

The Philippine Water and Sanitation sector is challenged by the absence of a lead agency for the sector, the lack of a cohesive policy framework, insufficient public financing, inadequate sector data that can provide informed policy and investment decisions, and a severely fragmented and poorly enforced regulatory regime.

There are currently several economic regulatory agencies for water: The Local Water Utilities Administration (LWUA) for water districts, rural waterworks and sanitation associations, the National Water Resources Board (NWRB) for private utilities, the Metropolitan Waterworks and Sewerage System (MWSS) for Metro Manila, other agencies covering various economic and industrial zones, and Local Government Units that essentially self-regulate. These agencies have other mandates particularly, proprietary roles on the part of the MWSS, LGUs, and the economic and industrial zones; financing on the part of LWUA, and resource regulation on the part of NWRB; that inherently pose conflicts of interest on their economic regulatory functions.

Compounding this issue is the low coverage of the economic regulatory mantle. There are an estimated 4,600 water utilities in the country, of which 2,200 are small utilities with less than 1,500 connections, and with different ownership structures and

<sup>1</sup> 2017 Annual Poverty Indicators Survey. Philippine Statistics Authority.

<sup>2</sup> a well or borehole, that serves one or a group of households, depending on the source's ownership, as well as its regeneration capacity

<sup>3</sup> 2017 Annual Poverty Indicators Survey. Philippine Statistics Authority.

governance systems—from public and private corporate entities, LGU-ran systems and loosely formed community-based associations. Only 27% of the total utilities (mostly water districts and private utilities) are subject to economic regulation, leaving 73% without any standard guidelines for tariff setting or oversight on performance. Weak or benign exercise of regulatory functions has led to under investments and sub-optimal performance of water utilities.

The objective of this bill is to rationalize the economic regulation of water supply and sanitation services with the creation of the Water Regulatory Commission; an independent, quasi-judicial body consolidating the economic regulatory powers of the various water agencies into one national body.

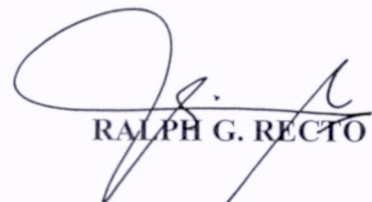
The proposed measure seeks to achieve the following objectives:

- Achieve universal access to improved water and sanitation services for the entire country through an effective economic regulatory system that can compel expansion of service coverage, efficiency in operations and quality of service;
- Encourage private sector participation in the development and expansion of water and sanitation services;
- Protect the interest of consumers; and
- Address the conflicts of interest inherent in the current water regulatory agencies.

The bill may be subject to refinements, upon the submission of position papers from government agencies and stakeholders and after consideration of the collective wisdom of the separate Committee members of the Senate.

In view of the foregoing, the approval of this bill is hereby requested.

/mjma



**RALPH G. RECTO**

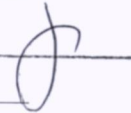


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AN ACT  
RATIONALIZING THE ECONOMIC REGULATION OF WATER UTILITIES,  
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PURPOSES

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

CHAPTER I

TITLE AND DECLARATION OF POLICY

SECTION 1. *Short Title.* This Act shall be known as the “Water Regulatory  
Commission Act.”

SEC. 2. *Declaration of Policy.* It is hereby declared the policy of the State to  
pursue and foster, in an orderly, rational, efficient, and dynamic manner, the attainment  
of nationwide water supply and sanitation services at reasonable rates and, encourage the  
participation and investment of the private sector, both domestic and foreign, in the  
provision of piped-water supply and sanitation services. For this purpose, there is a need  
to establish a single agency of government to be invested with ample powers for the  
rational and effective economic regulation of all water supply and sanitation systems.

SEC. 3. *Objectives.* The Commission shall have the following objectives:

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

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

3        (a)    **“Certificate of Public Convenience (CPC) or Certificate of Public**  
4               **Necessity (CPN)”** shall mean a formal written authority to sell water  
5               issued to an applicant for the operation of a public service wherein a  
6               franchise is required by law.

7        (b)    **“Commission”** shall mean the Water Regulatory Commission.

8        (c)    **“Commissioner”** shall mean a person appointed in accordance with the  
9               provisions of this Act.

10       (d)    **“Existing Licensee”** shall mean any water service and/or sanitation  
11              service provider granted a license by existing regulatory institutions such  
12              as the NWRB, LWUA, MWSS, PEZA, that are qualified to provide water  
13              supply and sanitation services for a particular service area or areas.

14       (e)    **“Integrated Innovation”** shall mean the coordinated application of  
15              scientific or technological, social and business innovation to develop  
16              solutions to complex challenges.

17       (f)    **“Level I (point source)”** shall mean a protected well or a developed  
18              spring with an outlet but without a distribution system as it is generally  
19              adaptable for rural areas where the houses are thinly scattered. A level I  
20              facility normally serves around fifteen (15) to twenty-five (25) households  
21              and its outreach must not be more than two hundred fifty (250) meters  
22              from the farthest user. The yield or discharge is generally from forty (40)  
23              to one hundred forty (140) liters per minute.

24       (g)    **“Level II (communal faucet system or stand post)”** - A system  
25              composed of a source, a reservoir, a piped distribution network and  
26              communal faucets, located at not more than twenty (25) meters from the  
27              farthest house. The system is designed to deliver forty (40) to eighty (80)  
28              liters of water per capita per day to an average of one hundred (100)  
29              households, with one faucet per four (4) to six (6) households. Generally  
30              suitable for rural and urban areas where houses are clustered densely to  
31              justify a simple piped system.

32       (h)    **“Level III (waterworks system or individual house connections)”** - a  
33              system with a source, a reservoir, a piped distribution network connecting  
34              individual households based on a daily water demand of more than one  
35              hundred (100) liters per person. It is generally suited for densely populated  
36              urban areas. This level of facility requires a minimum treatment of  
37              disinfection.



- 1 (i) **“Licensee”** shall mean the Water Supply and/or Sanitation Services  
2 operating licenses issued by the Commission and are qualified to provide  
3 Water Supply and/or Sanitation Services for a particular Service Area or  
4 Areas.
- 5 (j) **“LWUA”** shall mean the Local Water Utilities Administration created  
6 under PD No. 198, as amended.
- 7 (k) **“NWRB”** shall mean the National Water Resources Board created by  
8 Presidential Decree No. 424, as amended by Executive Order No. 124-A.
- 9 (l) **“MWSS”** shall mean the Metropolitan Waterworks and Sewerage System,  
10 created by Republic Act No. 6234.
- 11 (m) **“PEZA”** shall mean the Philippine Economic Zone Authority, created by  
12 Republic Act No. 7916.
- 13 (n) **“Regulatory Units”** shall mean the regulatory offices established under  
14 Section 5 of this Act to issue licenses authorizing the operation of Water  
15 Supply and Sanitation Services in accordance with its powers provided in  
16 this Act.
- 17 (o) **“Sanitation Service”** shall mean a service involving the collection of  
18 effluent and sludge from human waste and greywater from residences and  
19 establishments utilizing a sanitation system through pipes and structures.
- 20 (p) **“Sanitation System”** shall mean an infrastructure system that collects,  
21 treats, and disposes or reuses effluents and sludge, and may include but is  
22 not limited to other systems such as sewerage, septage or combined  
23 drainage interceptor systems.
- 24 (q) **“Service Area”** shall mean the territory or area of operations granted by  
25 the Commission to a Licensee to provide Water Supply and/or Sanitation  
26 Services.
- 27 (r) **“Sewerage Service”** shall mean the sewerage services provided by a  
28 Licensee in a particular Service Area involving the collection of human  
29 waste and sullage from residences and establishments through pipes and  
30 structures.
- 31 (s) **“TIEZA”** shall mean the Tourism Infrastructure Zone Authority, created  
32 by Republic Act No. 9593.
- 33 (t) **“Tariffs”** shall mean such amounts which may be charged by Licensees  
34 of Water Supply and/or Sanitation Services for their services based on  
35 principles, standards, and guidelines established by the Commission.
- 36 (u) **“Water District”** shall mean a government-owned and controlled  
37 corporation organized under Presidential Decree No. 198, as amended,

1 created primarily to acquire, install, operate, maintain and improve water  
2 supply and distribution systems for domestic, industrial and municipal  
3 uses of residents and to provide, maintain, and operate waste water  
4 collection, treatment and disposal facilities within the boundaries of the  
5 district.

- 6 (v) **“Water Supply Service”** shall refer to the provision of water supply  
7 through the use of piped water distribution systems.

## 8 **CHAPTER 2**

### 9 **ORGANIZATION**

10 **SEC. 5.** *The Water Regulatory Commission.* There is hereby created and  
11 established an independent, quasi-judicial body to be known as the Water Regulatory  
12 Commission, hereafter referred to as the Commission and organized within one hundred  
13 twenty (120) days after the effectivity of this Act. The Commission shall exercise the  
14 power and functions provided in this Act.

15 The Commission shall be an attached agency of the Department of Public Works  
16 and Highways (DPWH). For purposes of this Section, the relationship between the  
17 Commission as an attached agency of the DPWH shall be limited only to coordination  
18 and/or consultation by the Commission with the DPWH on the latter’s general policy  
19 framework for Water Supply and Sanitation Services.

20 **SEC. 6.** *Powers and Functions of the Commission.* The powers and functions of  
21 the Commission are as follows:

- 22 (a) To formulate rules and regulations, strategies and targets to facilitate and  
23 rationalize the expansion, improvement, and efficient provision of Supply  
24 and Sewerage Services throughout the country.
- 25 (b) To formulate tariffs for Water Supply and/or Sanitation Services, taking into  
26 account among others, the following:
- 27 1) capital and recurrent cost of providing the service including a reasonable  
28 rate of return on capital;
  - 29 2) efficiency of the service;
  - 30 3) incentives for enhancement of efficiency, including demand side  
31 management;
  - 32 4) consumers’ willingness to pay;
  - 33 5) equity considerations; and
  - 34 6) administrative simplicity.
- 35 (c) To approve and regulate the tariffs to be charged by Licensees of Water  
36 Supply and/or Sanitation Services, including local government units.



- (d) To regulate persons or entities, whether from the public or private sector, that provide Water Supply and/or Sanitation Services.
- (e) To grant, issue, modify, monitor, enforce, suspend and/or cancel licenses for Water Supply and Sanitation Services and impose penalties for administrative violations thereof. Such penalties may be decided by the Commission and may include the suspension or revocation of a license. Where necessary, the Commission may delegate the management of the Licensee through a receivership mode.
- (f) To require the monitoring and submission of utility data, statistics and other information from all Licensees as may be necessary for the effective and efficient exercise of its duties, functions, powers, and responsibilities.
- (g) To disseminate and publish comparative information on process and service performance of Licensees of Water Supply and/or Sanitation Services.
- (h) In the exercise of its powers and functions under this Act, to take into account Licensee's service targets and performance with respect to consumer service standards regarding water pressure, minimum flow rates, connections and billing and metering requirements and procedures, among others.
- (i) To provide a system for complaints and appeals including, but not limited to:
- 1) Tariffs imposed for Water Supply and/or Sanitation Services;
  - 2) The quality of services provided by said Licensees; and
  - 3) The inadequate or inequitable distribution and reliability of Water Supply and/or Sanitation Services.
- (j) Investigate, *motu proprio* or upon complaint in writing, any matter concerning the service and require the Licensee to submit in writing any undertaking for immediate remedial measures.
- (k) To impose and collect an annual levy on all Licensees determined by the Commission as a percentage of the revenue accruing in relation to the licensed activities; and reasonable fees, surcharges, and fines from Licensees of Water Supply and/or Sanitation Services.
- (l) To advise, apprise and coordinate with other relevant agencies of the national or local government on any matter relating to Water Supply and/or Sanitation Services.
- (m) To deputize agents whether from public or private sector, to assist in the performance of any powers and functions of the Commission.

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

11 **SEC. 7. *The Regulatory Units.*** The Regulatory Units of the Commission shall be  
12 composed of the Regional Regulatory Units and the Central Regulatory Unit. The  
13 Regional Regulatory Units shall be established by the Commission in accordance with  
14 such rules, regulations, guidelines and standards provided hereunder as the Commission  
15 shall issue.

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

22 **SEC. 8. *Powers and Functions of the Regulatory Units.*** The Regulatory Units of  
23 the Commission shall have the following powers and functions:

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



- 1 (e) Appraise and value property equipment used by Licensees in providing  
2 water supply and sanitation services.
- 3 (f) Enforce the financial, technical, and other performance standards set by the  
4 Commission for Licensees and utilities.
- 5 (g) Respond to customer complaints and ensure adequate protection of customer  
6 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 (j) Require the submission of reports, plans, and other documents that set out  
11 the performance targets and accomplishment of Licensees and utilities.
- 12 (k) Impose and collect annual levies determined as a percentage of gross  
13 revenue accruing in relation to the licensed activities, and reasonable fees  
14 and surcharges as may be necessary for achieving the purposes, powers, and  
15 functions of the regulator.
- 16 (l) Conduct benchmarking and monitor the performance of Licensees and  
17 utilities under their jurisdiction, and publish reports detailing the results  
18 thereof, as may be necessary or required by the Commission.
- 19 (m) Amend, modify, suspend or revoke any license issued by the Commission,  
20 after due notice and hearing, on any of the following grounds:
- 21 1) When the facts and circumstance on which the license was issued have  
22 been misinterpreted or has materially changed.
- 23 2) When the Licensee has failed to meet or comply with terms, conditions  
24 and performance targets – including but not limited to service expansion  
25 – that may have been set forth in the license.
- 26 3) Where the Licensee is found to be manifestly incompetent in the  
27 operation of or provision of Water Supply and Sanitation Services in its  
28 area; or
- 29 4) When the holder thereof has violated or willfully refused to comply with  
30 any order, rule or regulation of the Commission or any provision of this  
31 Act.
- 32 (n) Appoint an interim management committee to ensure continuity of service  
33 in case a Licensee fails to meet conditions of the license.
- 34 (o) Submit performance plans and reports as required by the Commission.

35 **SEC. 9. Composition.** The Commission shall be a collegial body composed of  
36 five (5) full-time members composed of a Chairperson and four (4) members, who shall  
37 be appointed by the President of the Philippines. All members of the Commission must

1 be citizens and residents of the Philippines, at least thirty five (35) years of age, and of  
2 good moral character, recognized integrity and competency in the field of law, business,  
3 commerce, finance, accounting or public administration, water or utility economics,  
4 management, physical or engineering services, hydrology and other related services, with  
5 at least three (3) years of actual and distinguished experience in their respective fields of  
6 expertise: *Provided*, That out of the four (4) members of the Commission at least one (1)  
7 shall be a member of the Philippine Bar with at least ten (10) years experience in the  
8 active practice of law, and one (1) shall be a certified public accountant with at least ten  
9 (10) years experience in active practice.

10 Within three (3) months from the creation of the Commission, the Chairman shall  
11 submit for approval of the Department of Budget and Management the new  
12 organizational structure and staffing pattern necessary to carry out the powers and  
13 functions of the Commission and its Regulatory Units.

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

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

27 The Chairman and members of the Commission or any of their relatives within  
28 the fourth civil degree of consanguinity or affinity, legitimate or common law, shall be  
29 prohibited from holding any interest whatsoever, either as investor, stockholder, officer  
30 or director, in any company or entity engaged in the business of water supply and/or  
31 sanitation services and must, therefore, divest through sale or legal disposition of any and  
32 all interests in the water and sanitation sector upon assumption to office.

33 The Commission shall meet as often as may be necessary on such day or days as  
34 the Chairman may fix. The presence of at least three (3) members of the Commission  
35 shall constitute a quorum and the majority vote of two (2) members in a meeting where a  
36 quorum is present shall be necessary for the transaction of any business: *Provided*, That  
37 in fixing tariffs, rates and other charges, and the adoption of any rule, ruling, order,



1 resolution, decision or other act of the Commission in the exercise of its quasi-judicial  
2 functions, an affirmative vote of three (3) members shall be required.

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

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

9 **SEC. 10. *Executive Director.*** The Commission shall appoint an Executive  
10 Director who shall provide an official record and report of the proceedings of the  
11 Commission and have the authority to administer oaths in all matters falling within the  
12 jurisdiction of the Commission. The Executive Director shall be responsible for the  
13 effective implementation of the policies, rules and directives promulgated by the  
14 Commission; coordinate and supervise activities of the different operating units that may  
15 be created by the Commission; and perform such functions as may be assigned to the  
16 Executive Director by the Chairman and/or members of the Commission.

17 **SEC. 11. *Staffing.*** The Commission shall appoint a technical staff, including an  
18 administrative or support staff, as maybe necessary to assist the Commission in fulfilling  
19 its objectives and in exercising its powers and functions under this Act. In this  
20 connection, the Commission shall employ persons with legal, economic, customer  
21 service, financial accounting and technical expertise.

22 **SEC. 12. *Compensation and Other Emoluments.*** The compensation and other  
23 emoluments of the Commission and its personnel shall be subject to the coverage of  
24 Republic Act No. 6758, otherwise known as the Salary Standardization Act.

## 25 **CHAPTER 4**

### 26 **WATER SUPPLY AND/OR SANITATION LICENSES**

27 **SEC. 13. *Application for License for Water Supply and/or Sanitation Services.*** (a)  
28 All persons and public or private entities intending to engage in the provision of Water  
29 Supply and/or Sanitation Services, including but not limited to operators of privately-  
30 owned water supply systems, local government managed utilities, barangay waterworks  
31 associations, water districts, cooperatives, shall be required to apply for and obtain a  
32 license from the Commission prior to their operation of the relevant Water Supply and/or  
33 Sanitations Services.

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

- 37 1) The service for which the license is being sought; and

1                   2) The Service Area, including location maps, within which the services  
2                   will be provided.

3           (c)     Service providers operating under existing agreements with MWSS, local  
4     government units, and special economic and freeport zone authorities shall register with  
5     the Commission and, during the validity of such agreement, shall be deemed duly  
6     licensed to provide services consistent with the terms and conditions of such existing  
7     agreements: *Provided*, That, the aforesaid service provider shall be regulated by the  
8     Commission or the appropriate regulatory unit in accordance with the terms and  
9     conditions of such existing agreements: *Provided, further*, That, any extension or renewal  
10    of such existing agreement shall be subjected to the review and approval of the  
11    Commission.

12           **SEC. 14.** *Restrictions on Grants for Water Supply and/or Sanitation Services.*

13    Except for Service Areas with respect to which exclusive rights to provide Water Supply  
14    and/or Sanitation Services are granted under existing laws, Licensees do not have the  
15    exclusive right to provide Water Supply and/or Sanitation Services within a Service Area  
16    and, consequently, the Commission may issue one or more licenses for operators within  
17    any existing or proposed Service Area(s).

18           **SEC. 15.** *Conditions of License.* (a) License(s) issued by the Commission shall be  
19    subject to the following conditions:

- 20                   1)    Provide and operate Water Supply and/or Services in a specified  
21                   Service Area or Areas.
- 22                   2)    Impose tariffs, rates and charges for water and sanitation services as  
23                   determined and approved by the Commission.
- 24                   3)    The term or duration of the license as determined by the  
25                   Commission.
- 26                   4)    Restrictions on or conditions for the transferability or assignment  
27                   shall be subject to the prior approval of the Commission.
- 28                   5)    Restrictions on or conditions for the sale or disposition of the  
29                   business which is the subject of a license, or the transfer of a  
30                   controlling interest in such a business, which sale, disposition, or  
31                   transfer shall require the prior approval of the Commission.
- 32                   6)    Grounds for the modification of any of the provisions of, or the  
33                   suspension or cancellation of the license and procedure.
- 34                   7)    The nature of services to be provided, the minimum standards for  
35                   service efficiency such as standards on: (1) water pressure; (2)  
36                   minimum flow rates; (3) connections; and (4) sewerage discharge,



1 billing and metering requirements, and sanctions for failure to  
2 comply with the standards set.

3 8) Expansion targets and continual service level improvement.

4 9) Reportorial requirements and obligations of the Licensee.

5 (b) The Commission shall approve a tariff which is fair and reasonable and  
6 which allows for economic viability of the operations and businesses of the Licensee,  
7 including reasonable return on their investments considering the prevailing cost of capital  
8 in the domestic and international markets.

9 (c) The Commission shall promulgate the rules, guidelines and standards to be  
10 applied in determining who, among two (2) or more competing applicants, should be  
11 awarded the license for a specific Service Area, based on technical, financial, economic  
12 and organizational considerations, managerial capacity, and past record and experience in  
13 the provision of Water Supply and/or Sanitation Services.

14 (d) All holders of a license shall be subject to an annual performance audit by  
15 the Commissioner or its designated agent/s.

16 (e) The Commission shall specify the requirements and procedures for  
17 existing holders of CPC or CPN issued by NWRB, and other Certificates issued by  
18 LWUA to convert their existing certificates into licenses issued by the Commission.  
19 Henceforth, no further CPC or CPN or LWUA Certificates shall be issued by the NWRB  
20 and LWUA, respectively.

21 (f) All existing providers of Water Supply and/or Sanitation Services without  
22 a valid and legal CPC or CPN or Certificate of Conformance including all LGU-run  
23 utilities shall have twelve (12) months from the effectivity of this Act to apply for the  
24 appropriate license from the Commission.

25 **SEC. 16. Procedure for Granting of Licenses.** (a) The Commission shall ensure  
26 that the granting of a license under this Act is carried out fairly, transparently, and  
27 without undue discrimination.

28 (b) The Commission shall prescribe in appropriate regulations the procedure  
29 and requirements to be followed with respect to the granting of a license,  
30 such regulations shall include:

31 1) The qualifications required of applicants for a license.

32 2) The application procedure to be followed by all applicants, including  
33 arrangements for the publication of details of all applications received  
34 by the Commission.

35 3) The procedure by which the Commission will consider applications,  
36 including the consideration of all comments and objections lodged with  
37 respect to applications.

- 1                   4) The procedure by which the Commission shall reach a determination  
2                   with respect to all such applications.

3                   **SEC. 17. *Rights and Duties of Licensees.*** (a) Any person granted a license under  
4 this Act shall have the duty to ensure that its licensed activities are conducted so as to  
5 further the public interest, and in particular, that they:

- 6                   1) Foster the maintenance and development of efficient, coordinated and  
7                   viable operation of their licensed activities.  
8                   2) Ensure that their Water Supply and/or Sanitation Services are provided  
9                   in accordance with applicable laws and standards and practices set by  
10                  the Commission and generally accepted in the Philippine and  
11                  international water supply and/or sanitation industry.  
12                  3) Comply with drinking water quality requirements.  
13                  4) Pay appropriate compensation in accordance with procedures laid  
14                  down in any relevant statute or in regulations promulgated or issued by  
15                  the Commission if, in laying or repairing a water and/or sewerage  
16                  main or relevant facility, a Licensee should injure any person and/or  
17                  damage any property.

18                  (b) Any person granted a license under this Act shall, to the extent allowed by  
19 law and specified in the license, have the right to acquire or lease land and lay or repair  
20 water and sanitation mains and other relevant facilities in public roads.

21                  (c) Subject to any condition or any limitation laid down in the license, a  
22 Licensee may disconnect the supply of Water Supply and/or Sanitation Services to a  
23 customer who defaults in the payment of amount/s due to that Licensee with respect to  
24 water supplied or sanitation services, or for acts of pilferage pursuant to Sections 8, 9, 10,  
25 and 11 of Republic Act No. 8041 otherwise known as the “Water Crisis Act of 1995”.

26                  (d) Any license issued under this Act shall contain provisions designed to  
27 ensure that Licensees:

- 28                  1) Publish tariff and other charges approved by the Commission, and  
29                  other terms and conditions imposed by the Commission for the  
30                  provision of Water Supply and/or Sanitation Services.  
31                  2) Prepare within three (3) months from the issuance of a Water Supply  
32                  and/or Sanitation license, in consultation with the customers, codes of  
33                  practice specifying the manner and procedure for: (1) metering,  
34                  billing, and collection of the Licensee’s approved tariff and other  
35                  charges, (2) disconnection or suspension of service in case of non-  
36                  payment of tariffs and other charges, or acts of pilferage, and (3)  
37                  recommendation and recovery of areas in tariffs and other charges.





1 (b) Issue *subpoena duces tecum* and summon witnesses to appear in any  
2 proceedings of the Commission and in appropriate cases, order the  
3 examination, search and seizure of any document or other material object of  
4 any entity or person under investigation as may be necessary for the proper  
5 disposition of the cases before it, subject to the provisions of existing laws;

6 (c) To cite in contempt an erring party or person who disobeys any order of the  
7 Committee or refuses to be sworn or to testify or to answer a proper  
8 question by the Committee or any of its members, or testifying, testifies  
9 falsely or evasively, or who unduly refuses to appear or bring before the  
10 Committee certain documents and/or object evidence required by the  
11 Committee; and

12 (d) To initiate an investigation, upon complaint under oath by an aggrieved  
13 party of any industry participant for violations of any law, rule or regulation.

14 **SEC. 21. Order and Decisions of the Commission.** Every order or decision  
15 rendered by the Commission shall be in writing and shall state clearly and distinctly the  
16 facts and law on which it is based. The Commission shall decide each case or application  
17 within thirty (30) days following its formal submission for resolution. The Commission  
18 shall publish and make available for public inspection all decisions and final orders in the  
19 adjudication of contested cases or applications.

20 **SEC. 22. Appeals Procedure and Prohibition Against Injunction.** (a) The orders,  
21 rulings, and decisions of the Commission are final and executory unless appealed to the  
22 Court of Appeals within fifteen (15) days from the receipt of notice of such order, ruling  
23 or decision. All orders, rulings and decisions of the Commission approving tariffs shall  
24 be immediately executory and enforcement thereof may be suspended only upon appeal  
25 and filing of a bond, in an amount to be fixed by the Commission, to answer for damages  
26 occasioned by the suspension or stay of execution of such orders, rulings and decisions.

27 (b) No injunction may be issued by any court or administrative agency to  
28 restrain any proceeding before, or the implementation or execution of any order, ruling or  
29 decision of the Commission, except on the basis of a question of law in a petition for  
30 certiorari brought before the Supreme Court.

31 (c) Subject to Sec. 9, paragraph 3 of this Act, an act or decision of the  
32 Commission shall not be invalid merely because of the defect or irregularity in, or in  
33 connection with, the appointment or vacancy in the Office of the Chairperson or any  
34 other member of the Commission.

35 **SEC. 23. Power to Arbitrate Interconnection Disputes.** When there is a dispute  
36 between two or more Licensees regarding the terms and conditions, including price rates,  
37 for interconnection between them of Piped-Water Supply and/or Sewerage Systems, then



1 upon elevation of the dispute to the Commission by two or more Licensees, the  
2 Commission may make a binding arbitration of the terms and conditions on  
3 interconnection that are in dispute.

4 **CHAPTER 6**

5 **TRANSITORY PROVISIONS**

6 **SEC. 24.** *Interface with Other Sector Regulators.* (a) The Department of  
7 Environment and Natural Resources (DENR) shall continue to have the primary authority  
8 and responsibility for protecting the environment and water resources from waste and  
9 pollution and shall promulgate rules, regulations, and standards in this regard. The  
10 Commission shall coordinate with the DENR regarding this matter.

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

14 (c) The Commission shall coordinate with the NWRB for water allocation and  
15 data collection, the LGUs under administrative supervision from the Department of the  
16 Interior and Local Government for developing projects related to water supply and  
17 sanitation, and the DPWH for flood control and the harnessing and impounding of water.

18 **SEC. 25.** *Advisory Council.* (a) Within six (6) months from its organization, the  
19 Commission shall cause the formation of an Advisory Council which shall include, but  
20 shall not be limited to, representatives from the following sectors: women, academe,  
21 business and industry, local government units, peoples organizations, non-government  
22 associations, professional organizations, consumer groups and indigenous peoples.

- 23 (b) The Advisory Council shall have the following functions, among others:
- 24 1) To help disseminate information to the public relating to the  
25 Commission's objectives, powers and functions.
  - 26 2) To serve as a permanent advisory body to the Commission on issues of  
27 interest to consumers.

28 (c) The Commission shall promulgate rules and regulations defining the  
29 nature, composition, and other functions of the Advisory Council.

30 **SEC. 26.** *Transfer of Duties, Powers, Functions, and Assets.* The functions,  
31 powers, and assets of the Water Utilities Division of the NWRB, as set forth in  
32 Presidential Decree No. 1206, and other applicable laws are hereby transferred to the  
33 Commission. In the same manner, the pertinent economic regulation powers of LWUA as  
34 set forth under Presidential Decree No. 198, as amended; MWSS under RA No. 6234;  
35 PEZA under RA No. 7916; Subic Bay Metropolitan Authority (SBMA) and under RA  
36 No. 7227; Clark Development Corporation (CDC) under RA No. 7227 and Executive

Order No. 80; and Tourism Infrastructure Enterprise Zone Authority (TIEZA) under RA No. 9593 are likewise hereby transferred to the Commission.

**SEC. 27. *Transfer of Rights and Obligations.*** The Commission shall, by virtue of this Act, be subrogated to all the rights, and assume all the obligations, of the Water Utilities Division of the NWRB, and all other government agencies and units whose powers and functions are hereby transferred to and assumed by the Commission and shall be acted upon in accordance with the rules and regulations of the Commission on Audit and other pertinent laws, rules, and regulations.

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

**SEC. 29. *Penalties for Violations.*** Subject to Sec. 17, paragraph (c), of this Act, any person, natural or juridical, found violating the provisions of this Act and its implementing rules and regulations shall be imprisoned from six (6) months to six (6) years, or be liable to pay a fine not exceeding Five Hundred Thousand Pesos (P500,000.00), or both. When the offender is a corporation, association, or partnership, the penalty shall be imposed on the president, directors, or managing partners, as the case may be, and the persons charged with the administration thereof. The corporation shall be subsidiarily liable for the pecuniary liability of its aforementioned officers, president, directors, managing partners of persons charged with administration thereof: *Provided,* That, the Commission may impose other administrative penalties and charges, upon the recommendation of the Commission and approval by the President.

**SEC. 30. *Appropriations.*** The sum of Three Hundred Million Philippine Pesos (P300,000,000.00) shall be charged against the current year's appropriation of the Contingent Fund, and is hereby appropriated and authorized to be released, for the organization of the Commission, and in establishing the regional regulatory units and its initial operations. Thereafter, funds sufficient to fully carry out the objectives, powers, and functions of the Commission shall be appropriated every fiscal year in the General Appropriations Act.

**CHAPTER 7**  
**FINAL PROVISIONS**

**SEC. 31. *Implementing Rules and Regulations.*** Within sixty (60) days from the effectivity of this Act, the Chairman of the Commission shall, upon consultation with the stakeholders, provide the necessary rules and regulations for the effective implementation of this Act.



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

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

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

16       Section 13 (b) on the registration, regulation and supervision of enterprises in the  
17 ecozone of Republic Act No. 7916, as amended, also known as the Special Economic  
18 Zone Act of 1995, is hereby repealed or modified, accordingly.

19       Provisions under Section 69 of Republic Act No. 9593 or the Tourism Act of  
20 2009 and its Implementing Rules and Regulations which mandates the TIEZA to grant  
21 franchises, supervise the operation of public utilities, and register, monitor and regulate  
22 enterprises within Tourism Enterprise Zones, are hereby repealed or modified,  
23 accordingly.

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

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

*Approved,*