

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



22 OCT 27 P4 :00

**SENATE**

**S. No. 1428**

RECEIVED BY: \_\_\_\_\_

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**Introduced by SENATOR RAMON BONG REVILLA, JR.**

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

**EXPLANATORY NOTE**

According to data gathered by water.org, out of the 101 million Filipinos, nine million rely on unimproved, unsafe and unsustainable water sources and 19 million lack access to improved sanitation.<sup>1</sup> More than 3 million Filipinos rely on unsafe and unsustainable water sources and 7 million lack access to improved sanitation. Despite the growing economy, the country still confronts significant challenges on water and sanitation access. The country is rapidly urbanizing, and the growing demand for adequate water and sanitation services from the communities are still left unmet.

As early as 2010, the government has developed a roadmap to achieve universal water and sanitation services coverage by 2028. In the ongoing COVID-19 global pandemic, millions are still striving to endure the lack of access to life's most critical resource – water. Access to safe water is critical to health.

There are many water-related laws; however, enforcement remains weak. The water sector is beset with problems such as poor database management and weak cooperation among water agencies, regulatory bodies, and LGUs. Currently, there are four (4) major economic regulatory agencies for water; the National Water Resources Board (NWRB), Local Water Utilities Administration (LWUA), Local Government Units (LGUs), and National Agencies which include Industrial Zones and the Metropolitan

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<sup>1</sup> <https://water.org/our-impact/philippines/>

Waterworks and Sewerage System (MWSS). There are 580 Water Districts. However, according to a 2005 World Bank Survey, 125 of these were considered non-operational. In addition, there are over 1,000 LGU Utilities, 500 Rural Water Supply Associations, 200 Cooperatives, and 900 Private Firms.

The regulatory framework for water has many overlaps, and economic regulations are provided under a number of different arrangements thereby resulting in an unstable and fragmented regulatory framework. The absence of a lead agency in the water resource sector, the different coordination systems, functions and jurisdictions of the various agencies have made it impossibly hard for water and sanitation to be collectively managed. Thus, the establishment of a unified agency that would focus on water, sewerage and sanitation is certainly very important.

This bill seeks to rationalize the economic and administrative 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 and licenses; set, review and approve rates; review and suspend contracts; initiate investigations on erring officials through its quasi-judicial nature; review and revoke issuances, memoranda and the like that are not in accordance with the spirit of the Commission 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. The bill takes cue from a number of prior legislative measures in prior Congresses, but includes a number of updated provisions.

In view of the foregoing, the urgent approval of this bill is earnestly sought.



**RAMON BONG REVILLA, JR.**

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**RATIONALIZING THE ECONOMIC AND ADMINISTRATIVE REGULATION OF**  
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**PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES**

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

1 Section 1. *Short Title.* – This Act shall be known as the “*Water Regulatory*  
2 *Commission Act of 2022.*”

3 Sec. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to  
4 recognize, protect and enhance the right of all Filipinos to safe and clean drinking  
5 water as essential to the full enjoyment of life and all human rights by pursuing, in an  
6 orderly, rational, efficient, and dynamic manner, the attainment of nationwide water  
7 supply and sanitation services at reasonable rates; as well as, to encourage the  
8 participation and investment of the private sector, both domestic and foreign, in the  
9 provision of piped-water supply and sanitation services. For this purpose, there is a  
10 need to establish a single agency of government to be invested with ample powers  
11 for the rational and effective economic regulation of all water supply and sanitation  
12 systems.

13 Sec. 3. *Objectives.* – The Commission shall have the following objectives:

14 a) To prioritize and seek the immediate attainment of universal access to safe,  
15 adequate, affordable and sustainable water supply and sanitation services for all  
16 Filipinos, and adopt all necessary measures directed towards the realization of human  
17 right to water;

- 1 b) To accelerate the expansion, improvement and ultimately, efficient provision of  
2 Level III water supply systems and sanitation services for the entire country, in a  
3 manner consistent with the protection, preservation and revival of the quality of  
4 the country's water resources
- 5 c) To encourage and enable private sector leadership in the continued growth and  
6 development of water supply and septage management, and sewerage facilities  
7 and services;
- 8 d) To create a business and regulatory environment that is level, transparent and  
9 conducive for public and private domestic and foreign investment in water supply  
10 and sanitation services;
- 11 e) To provide incentives and/or support to encourage investments, and/or take all  
12 steps necessary for the provision of affordable access to water supply and  
13 sanitation services in unserved and underserved areas;
- 14 f) To ensure that water resources allocated to water service providers are used  
15 efficiently to meet public demand;
- 16 g) To ensure fair, just and reasonable tariffs, rates and charges for water supply and  
17 sanitation services;
- 18 h) To protect the legal and other interests of consumers of water supply and  
19 sanitation services rendered by public and private sector licensees;
- 20 i) To establish an administrative process for economic regulation that is stable,  
21 transparent and fair, giving due emphasis to technical, legal, environmental,  
22 economic and financial considerations and with due regard to the observance of  
23 due process at all times;
- 24 j) To develop and maintain a national water utility database using the geographic  
25 information design (GIS); and
- 26 k) To establish a strong and independent economic regulatory body to ensure  
27 consumer protection, promote good business practice and competition among  
28 Service Providers and full public accountability to achieve greater operational and  
29 economic efficiency.

30       Sec. 4. *Definition of Terms.* – As used in this Act, the following terms are  
31 hereby defined:

- 1 a) *Bulk Water Suppliers* – refer to any entity, natural or juridical, whether public or  
2 private, supplying or intending to supply large quantities of raw or treated water  
3 to buyers, who will use it for own consumption such as industrial companies, or  
4 for retail distribution to consumers such as Water Districts or subdivisions,  
5 managing their own distribution network;
- 6 b) *Commission* – refers to the Water Regulatory Commission;
- 7 c) *Existing Licensee* – refers to any water service and/or sanitation service provider  
8 granted by existing regulatory institutions issued to persons and entities that are  
9 qualified to provide water supply and sanitation services for a particular service  
10 area/s;
- 11 d) *Levels of Water Supply Service* – consistent with the definitions provided under  
12 NEDA Board Resolution No. 12 (Series of 1995), the following shall mean:
- 13 1. *Level I (point source)* - a protected well or a developed spring with an outlet  
14 but without a distribution system, generally adaptable for rural areas where  
15 the houses are thinly scattered. A Level I facility normally serves an average  
16 of 15 households.
- 17 2. *Level II (communal faucet system or stand posts)* - a system composed of  
18 a source, a reservoir, a piped distribution network, and communal faucets.  
19 Usually, one faucet serves 4 to 6 households. Generally suitable for rural  
20 and urban fringe areas where houses are clustered densely to justify a  
21 simple piped system.
- 22 3. *Level III (waterworks system or individual house connections)* - a system  
23 with a source, a reservoir, a piped distribution network and household taps.  
24 It is generally suited for densely populated urban areas.
- 25 e) *License* – refers to the Water Supply and/or Sanitation Services Operating License  
26 that the Commission is authorized to grant and issue to Service Providers;
- 27 f) *Licensee* – refers to the Service Provider to whom a License is granted by the  
28 Commission;
- 29 g) *LWUA* – refers to the Local Water Utilities Administration created under Presidential  
30 Decree No. 198, as amended;
- 31 h) *MWSS* – refers to the Metropolitan Waterworks and Sewerage System, created by  
32 Republic Act 6234;

- 1 i) *NWRB* – refers to the National Water Resources Board created by Presidential  
2 Decree No. 424, as amended by Executive Order No. 124-A;
- 3 j) *Regulatory Units* – refer to the regulatory offices established under Section 5 of  
4 this Act to issue Licenses authorizing the operation of Water Supply and Sanitation  
5 Services; provide, review, determine, fix, and approve water and sewerage tariffs,  
6 rates and charges that Licensees may impose; and exercise such other functions  
7 and powers as may be provided hereunder;
- 8 k) *Sanitation* – as used under this Act, refers only to sewerage, sanitation and septage  
9 management;
- 10 l) *Service Area* – refers to the area covered by the water distribution system,  
11 sewerage and septage management services;
- 12 m) *Service Provider* – refers to any entity, natural or juridical, whether private or  
13 public, providing or intending to provide levels II & III water supply, including bulk  
14 water suppliers; sewerage; and/or septage treatment and disposal services for  
15 domestic/residential, industrial or commercial use;
- 16 n) *Sewerage* – refers to any system or network of sanitary pipelines, ditches, channels  
17 or conduits including pumping stations, lift stations and force mains, service  
18 connections including other constructions, devices or appliances appurtenant  
19 thereof, which includes the collection, sanitary piping transport, pumping and  
20 treatment of water-borne human or animal waste removed from residences,  
21 buildings, institutions, industrial and commercial establishments to point of  
22 sewerage treatment plant disposal;
- 23 o) *Septage* – refers to sludge produced on individual onsite wastewater disposal  
24 systems, principally septic tanks and cesspools;
- 25 p) *Septage Management* – refers to the provision of proper collection, septage  
26 treatment and disposal of septage;
- 27 q) *Tariffs* – refer to such amounts which may be charged by Licensees of Water  
28 Supply and/or Sanitation Services for their services based on principles, standards,  
29 and guidelines established by the Commission;
- 30 r) *Water District* – refers to government-owned and controlled corporations organized  
31 under Presidential Decree No. 198, as amended, created primarily to acquire,  
32 install, operate, maintain and improve water supply and distribution systems for

1 domestic, industrial and municipal uses of residents and to provide, maintain and  
2 operate wastewater collection, treatment and disposal facilities within the  
3 boundaries of the district; and

4 s) *Water Supply and/or Sanitation Service* – refers to any activity comprising of Levels  
5 II and III water supply, including suppliers to subdivisions and other Service  
6 Providers; sewerage; and septage treatment and disposal services.

7 *Sec. 5. The Water Regulatory Commission.* – There is hereby created and  
8 established an independent, quasi-judicial regulatory body to be named the Water  
9 Regulatory Commission, hereinafter referred to as the “Commission”, which shall be  
10 organized within one hundred twenty (120) days after the effectivity of this Act.

11 The Commission shall be an attached agency to the Office of the President.

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

14 *Sec. 6. The Regulatory Units.* – The Regulatory Units of the Commission shall  
15 be composed of the Provincial Regulatory Units and the Central Regulatory Unit. The  
16 Provincial Regulatory Units shall be established by the Commission in accordance with  
17 such rules, regulations, guidelines and standards as the Commission shall issue, and  
18 as provided hereunder.

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

22 a) Provide services to more than one province;

23 b) Are owned, operated and/or maintained by special economic zones and  
24 Metro Manila concessionaires.

25 *Sec. 7. Powers and Functions of the Commission.* – The overall authority and  
26 powers of the Commission shall cover and apply to all Service Providers, whether  
27 private or public, providing or intending to provide levels II & III water supply,  
28 including suppliers to subdivisions and/or other Service Providers; sewerage; and/or  
29 septage treatment and disposal services for domestic/residential, industrial or  
30 commercial use.

31 The Commission shall have the following powers and functions:

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



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

25 *Sec. 8. Powers and Functions of the Regulatory Units.* – The Regulatory Units  
26 of the Commission shall have the following powers and functions:

- 27 a) Subject to the review and approval of the Commission, issue and promulgate  
28 rules, regulations and guidelines as may be necessary to implement and enforce  
29 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;

- 1 c) Impose fines, charges and other penalties upon any Provider and/or its officers  
2 and stockholders who shall fail or refuse to register and/or obtain a License  
3 prior to operation or commencement of business, as provided hereunder;
- 4 d) Consistent with rules, guidelines, procedures and methodologies which the  
5 Commission shall provide, review, determine, fix, and approve proposed water  
6 and sewerage tariffs, rates and charges that Licensees may impose upon their  
7 customers/consumers;
- 8 e) Appraise and value property and equipment used by Licensees in providing  
9 water supply and sanitation service/s;
- 10 f) Enforce technical, financial and other performance standards set by the  
11 Commission for licensees/utilities;
- 12 g) Respond to consumer complaints and ensure the adequate promotion of  
13 consumer interests;
- 14 h) Investigate accidents, directly or indirectly, arising from or connected with the  
15 maintenance or operation of the service, and make such order or  
16 recommendation as the public interest may warrant;
- 17 i) Upon petition or *motu proprio* where in its determination public interest so  
18 dictates, require the review and/or approval of contracts or agreements that  
19 may impact on the tariff and rates of service provision entered into by Service  
20 Providers;
- 21 j) Require the submission of reports, plans and other documents that set out the  
22 performance targets of the licensees/utilities, and regular accomplishment  
23 reports;
- 24 k) Impose and collect annual levies determined as a percentage of gross revenue  
25 accruing in relation to the licensed activities, and reasonable fees and  
26 surcharges, as may be necessary for achieving the purposes, powers and  
27 functions of the regulator;
- 28 l) Conduct benchmarking and monitor the performance of licensees/utilities under  
29 their jurisdiction, and publish reports detailing the results thereof, as may be  
30 necessary or required by the Commission;
- 31 m) Amend, modify, suspend or revoke any License issued by them, after due notice  
32 and hearing, on any of the following grounds: 1. When the facts and

1 circumstances on the strength of which the license was issued have been  
2 misrepresented or has materially changed; 2. Where the Licensee has failed to  
3 meet or comply with terms, conditions and performance targets - including but  
4 not limited to service expansion - that may have been set in the license; 3.  
5 Where the Licensee is found to be manifestly incompetent in the operation of  
6 or provision of Water Supply and Sanitation services in its area; or 4. When the  
7 holder thereof has violated or willfully refused to comply with any order, rule  
8 or regulation of the Commission or any provision of this Act;

9 n) Appoint an interim management committee to ensure continuity of service, in  
10 case a licensee fails to meet conditions of the license; and

11 o) Submit performance plans and reports as required by the Commission.

12 *Sec. 8. Composition.* – The Commission shall be a collegial body composed of  
13 five (5) full-time members composed of a Chairperson and four (4) members. The  
14 Chairperson and the Commissioners who shall have the rank equivalent of cabinet  
15 secretary and undersecretary, respectively, shall be appointed by the President.

16 All members of the Commission must be citizens and residents of the  
17 Philippines, of good moral character, recognized integrity and competence in the field  
18 of law, business, commerce, finance, accounting or public administration, water or  
19 utility economics, management, physical or engineering services, hydrology and other  
20 related services, with at least ten (10) years actual and distinguished experience in  
21 their respective fields of expertise; *Provided,* That out of the four (4) members of the  
22 Commission, at least one (1) shall be a member of the Philippine Bar with at least ten  
23 (10) years experience in the active practice of law, and at least one (1) shall be a  
24 certified public accountant with at least ten (10) years experience in active practice.

25 The term of office of the Chairperson and the Commissioners shall be seven (7)  
26 years without reappointment. Of the first set of appointees, the Chairperson shall hold  
27 office for seven (7) years and of the first four (4) Commissioners, two (2) shall hold  
28 office for a term of seven (7) years and two (2) for a term of five (5) years. In case a  
29 vacancy occurs before the expiration of the term of office, the appointment to such  
30 vacancy shall only be for the unexpired term of the predecessor. The Chairperson and  
31 the Commissioners shall enjoy security of tenure and shall not be suspended or  
32 removed from office, except for just cause as provided by law.

1           The Commission shall meet as often as may be necessary on such day or days  
2 as the Chairperson may fix. The presence of at least three (3) members of the  
3 Commission shall constitute a quorum, which shall be necessary for the transaction of  
4 any business. The affirmative vote of majority of the members of the Commission,  
5 where a quorum is present, shall be necessary for the adoption of any order,  
6 resolution, decisions, or other act of the Commission in the exercise of its quasi-judicial  
7 functions; *Provided*, That in promulgating rules, regulations, guidelines and in the  
8 exercise of its quasi-legislative functions, an affirmative vote of three (3) members  
9 shall be required.

10           The Chairman of the Commission shall exercise general executive control and  
11 supervision of the Commission and its members, staff and personnel, agents and  
12 representatives.

13           The staff and personnel positions of the WRC shall be filled by regular  
14 appointments, in accordance with a staffing plan to be prepared by the Commission.  
15 Within three (3) months from the creation of the WRC and the appointment of all  
16 Members of the Commission, the Chairman shall submit for the approval by the  
17 President of the Philippines the new organizational structure and plantilla positions  
18 necessary to carry out the powers and functions of the Commission, including those  
19 of the Central and Provincial Regulatory Units.

20           The Chairman and members of the Commission or any of their relatives within  
21 the fourth civil degree of consanguinity or affinity, legitimate or common law, shall be  
22 prohibited from holding any interest whatsoever, either as investor, stockholder,  
23 officer or director, in any company or entity engaged in the business of transmitting,  
24 generating, supplying or distributing any form of energy and must, therefore, divest  
25 through sale or legal disposition of any and all interests in the water sector upon  
26 assumption of office.

27           *Sec. 9. Executive Director.* – The WRC shall appoint an Executive Director who  
28 shall head the WRC Secretariat, keep and maintain the official record and report of  
29 the proceedings of the Commission, and have the authority to administer oaths in all  
30 matters falling within the jurisdiction of the Commission.

31           The Executive Director shall be responsible for the effective implementation of  
32 the policies, plans, programs, rules, regulations and directives of the Commission;

1 coordinate and supervise the activities of the different operating units under the  
2 Commission; and perform such functions as may be assigned by the Chairperson  
3 and/or other members of the Commission.

4       Sec. 10. *WRC Secretariat* – The Commission shall also establish a Secretariat,  
5 which shall provide the Commission with technical and other support including, among  
6 others:

- 7 a) Providing the necessary technical inputs and secretariat support to the  
8 Commission to facilitate the conduct of its functions;
- 9 b) Coordinating with Regulatory Units to ensure proper implementation of the rules,  
10 regulations and guidelines promulgated by the Commission;
- 11 c) Monitoring and assessing activities of the Regulatory Units vis-a-vis their  
12 respective annual performance plans and targets;
- 13 d) Maintaining a database on the WSS sector; and
- 14 e) Coordinating with other relevant agencies of the national or local government on  
15 any matter relating to WSS.

16       Sec. 11. *Compensation and Other Emoluments*. – The compensation and other  
17 emoluments for the members and personnel of the Commission shall be  
18 exempted from the coverage of Republic Act No. 6758, otherwise known as  
19 the "*Salary Standardization Act*". For this purpose, the salaries and other  
20 emoluments of the Chairperson, the Commissioners, and personnel of the  
21 Commission shall be set based on an objective classification system, taking  
22 into consideration the importance and responsibilities attached to the  
23 respective positions, and shall be submitted to the President of the Philippines  
24 for his approval.

25       Sec. 12. *Registration and Licensing of All Water Supply and/or Sanitation*  
26 *Services* – All Water Supply and/or Sanitation Service Providers, including Bulk Water  
27 Suppliers and those providing services to subdivisions and/or other Service Providers,  
28 shall register with the Commission and, subject to such rules, guidelines, procedures  
29 and other issuances as the Commission may issue, obtain a License to operate from  
30 the appropriate Regulatory Units.

31       The Commission shall also ensure that the granting and revocation of licenses  
32 are carried out fairly, transparently, and without discrimination. Its issuances shall

1 therefore specify, among others, the qualifications, requirements and procedure for  
2 the granting and revocation of Licenses, as well as the standards and performance  
3 targets that must continuously be complied with in order to keep such licenses valid.

4 Unless otherwise provided herein or by the Commission, no public Water Supply  
5 and/or Sanitation Service provider shall commence or conduct the business of  
6 providing water supply and sanitation services without first obtaining a license.  
7 Concession agreements and other contracts for water supply provision currently  
8 existing shall remain valid and in force, unless otherwise invalidated by the  
9 Commission where public interest so dictates, after due notice and hearing.

10 Sec. 13. *Conditions of License.* – The Commission and/or the concerned  
11 Regulatory Unit, may impose such conditions in the issued License, as it may be deem  
12 necessary, such as but not limited to:

- 13 1) Tariffs, rates and charges that may be imposed from its  
14 customers/consumers;
- 15 2) Term fixing the duration of the privilege;
- 16 3) Grounds for modification, suspension or cancellation of the License;
- 17 4) Minimum technical performance and service level standards;
- 18 5) Expansion targets and service level improvements over time;
- 19 6) Restrictions or conditions for transferability of the business or controlling  
20 interest in the business;
- 21 7) Reportorial requirements and obligations of the grantee;
- 22 8) Submission to annual performance audit by the Commission or its duly  
23 authorized representative(s).

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

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

32 Sec. 14. *Rights and Duties of Licensees.* –

- 1 a) Any person granted a License under this Act shall have the obligation to ensure  
2 that its licensed activities are conducted so as to further the public interest and, in  
3 particular, that they:
- 4 1. Foster the maintenance and development of efficient, coordinated, and  
5 viable operation of their licensed activities;
  - 6 2. Ensure that their Water Supply and/or Sanitation Services are provided in a  
7 diligent, conscientious and workmanlike manner, in accordance with  
8 applicable laws, and the standards and practices set by the Commission and  
9 generally accepted in the Philippines and inter-water supply and/or  
10 sanitation industry;
  - 11 3. Comply with drinking water quality requirements and other requirements  
12 and standards that may be set by the Commission; and
  - 13 4. Not abandon its service without notice to and approval by the Commission.
- 14 b) Any person granted a License under this Act shall, to the extent allowed by law  
15 and specified in the License, have the right to acquire or lease land and lay or  
16 repair water or sanitation and other relevant facilities in public ways, when required  
17 to fulfill their obligations.
- 18 c) Subject to any condition or limitation laid down in the License, a Licensee may  
19 disconnect the supply of Water Supply and/or Sanitation services to a customer, if  
20 such customer defaults in the payment of amount(s) due to that Licensee in  
21 respect of water supplied or sanitation services provided, or for acts of pilferage  
22 pursuant to Sections 8, 9, 10, and 11 of Republic Act No. 8041, otherwise known  
23 as the "*Water Crisis Act of 1995*."
- 24 d) Any License issued under this Act shall contain provisions designed to ensure that  
25 Licensees:
- 26 1. Publish the Tariff and other charges approved by the Commission, and other  
27 terms and conditions imposed by the Commission for the provision of Water  
28 Supply and/or Sanitation Services.
  - 29 2. Prepare, within three (3) months from the issuance of a License, in  
30 consultation with its customers, a customer service code specifying the  
31 manner and procedure for: (a) metering, billing, and collection of the  
32 Licensee's approved tariff and other charges, (b) disconnection or

1 suspension of service in case of non-payment of tariffs and/or other  
2 charges, or acts of pilferage, and (c) recommendation and recovery of  
3 arrears in tariffs and other charges; and

4 3. Maintain financial accounts in accordance with the manner and procedure  
5 specified in the License and as may be required by the Commission.

6 e) Maintain and, upon request by anyone during regular office hours, promptly make  
7 available for scrutiny and inspection such data, statistics and other information, as  
8 may be required by the Commission.

9 *Sec. 15. Setting Tariffs, Rates and Other Charges.* – Regulatory Units shall  
10 establish tariffs, rates and other charges which are fair and reasonable and which  
11 provide for the economic viability of the service and a fair return on their investments  
12 considering the prevailing cost of capital in the domestic and international markets.

13 Such tariffs, rates and charges shall be based on and consistent with a rate-  
14 setting methodology that the Commission shall, after due public consultation, define  
15 and publish consecutively for three weeks in newspapers of general circulation, taking  
16 into account the following, among others:

- 17 a) Reasonable and prudent capital and recurrent costs of providing the  
18 service, including a reasonable rate of return on capital;  
19 b) Efficiency of the service;  
20 c) Incentives for enhancement of efficiency;  
21 d) Willingness to pay of the customers/consumers;  
22 e) Equity considerations; and  
23 f) Administrative simplicity

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

26 *Sec. 16. Promotion of Innovative Schemes to Improve Efficiency and*  
27 *Management of Systems.* – The Commission shall promote innovative schemes,  
28 including but not limited to, the consolidation and/or integration of Water Supply  
29 and/or Sanitation Services and/or Providers in the same Service Area, where it will  
30 result in improved efficiency, services expansion and/or lowering of costs.

31 To this end, the Commission shall establish and issue such rules and guidelines  
32 as may be necessary to (a) create incentives to encourage efficiency and service



1 expansion, (b) establish the standards and targets that service providers are required  
2 to meet, and (c) set the fines and penalties that would be imposed for failure to meet  
3 such standards and targets.

4       Sec. 17. *Twelve percent (12%) investment capital.* – Pursuant to  
5 Commonwealth Act No. 146, as amended, otherwise known as the "*Public Service*  
6 *Act*," shall further provide that any and all government agencies or such private sector  
7 concessionaires, agents, operators, contractors and the like delivering public services  
8 to the people must be subjected to the Twelve (12%) cap financial formula on Return  
9 of Investment.

10       Furthermore the Commission on Audit (COA) is hereto designated as the sole  
11 and official Auditor to determine the Actual Physical Investments of such government  
12 agencies or private sector concessionaires, operators, agents, contractors and the like  
13 delivering public services to the people for purposes of computing the Twelve (12%)  
14 Return on Investment Cap.

15       Sec. 18. *Proceedings Before the Commission.* – For the purpose of any  
16 investigation, inquiry or proceeding, the Commission shall have the requisite power  
17 to:

- 18       a) Issue subpoena duces tecum and subpoena duces tecum ad testificandum;
- 19       b) Appoint a Commissioner to hear and receive evidence on behalf of the  
20       Commission;
- 21       c) Cite any person or party for contempt for refusal to appear, testify or comply  
22       with an order of the Commission on any matter that is the subject of  
23       investigation, inquiry or proceeding before the Commission.

24       Sec. 19. *Orders and Decisions of the Commission.* – The orders, resolutions and  
25 decisions of the Commission, which must be reached as promptly and expeditiously  
26 as reasonably and fairly possible, shall be in writing and shall state clearly and  
27 distinctly the facts and law on which it is based. The Commission shall publish and  
28 make available for public inspection all decisions and final orders in the adjudication  
29 of contested cases or applications.

30       Sec. 20. *Appeals Procedure and Prohibition Against Injunction.* – The orders,  
31 rulings, and decisions of the Commission are final and executory, unless appealed to  
32 the Court of Appeals within fifteen (15) days from receipt of notice of such order,

1 ruling or decision; *Provided*, That orders, rulings, and decisions of the Commission  
2 approving tariffs shall be immediately executory and may be suspended only upon  
3 appeal and filing of a bond, in an amount to be fixed by the Commission, to answer  
4 for damages occasioned by the suspension or stay of execution of such orders, rulings,  
5 and decisions. No injunction may be issued by any court or administrative agency to  
6 restrain any proceeding before, or the implementation or execution of any order,  
7 ruling, or decision of the Commission, except on the basis of a question of law brought  
8 before the Supreme Court on certiorari. Subject to Sec. 7, paragraph 3 of this Act, an  
9 act or decision of the Commission shall not be invalid merely because of a defect or  
10 irregularity in, or in connection with, the appointment or vacancy in the Office of the  
11 Chairperson or any other member of the Commission.

12 *Sec. 21. Interface with Other Sector Regulators. –*

- 13 a) The Department of Environment and Natural Resources (DENR) shall  
14 continue to have the primary authority and responsibility for  
15 protecting the environment and the quality water sources from waste  
16 and pollution and shall promulgate rules, regulations, and standards  
17 in this regard.
- 18 b) The Department of Health (DOH) shall have primary authority and  
19 responsibility for determining and enforcing drinking water quality  
20 and sanitation standards. The Commission shall coordinate with the  
21 DOH in this regard, and shall ensure the consistency of the standards  
22 and targets that it will set for compliance by licensees with the DOH's  
23 mandated standards.
- 24 c) The Commission shall coordinate with the NWRB for water allocation  
25 and data collection, the local government units for development  
26 projects relating to water supply and sanitation, and the Department  
27 of Public Works and Highways (DPWH) for flood control and the  
28 harnessing and impounding of water.

29 *Sec. 22. Transfer of Rights and Obligations. —* The Commission shall, by virtue  
30 of this Act, be subrogated to all the rights, and assume all the obligations, of the Water  
31 Utilities Division of the NWRB, the Regulatory Offices of MWSS and LWUA, the  
32 Regulatory Units of all special economic zones, and all other government agencies and

1 units whose powers and functions have been transferred to the Commission. The  
2 transfer of powers and functions in the Department and agencies attached thereto, as  
3 herein provided for, shall take effect within six (6) months after the effectivity of this  
4 Act. The foregoing transfer of powers and functions shall include all applicable funds,  
5 personnel, records, property and equipment, as may be necessary. The same shall  
6 apply to agencies which have been attached to the Department by virtue of this Act.

7 As such, all offices under the Department and all attached agencies affected by  
8 the provisions of this Act shall continue to function under their present mandates until  
9 transition is effected as provided for under this Act. The heads of the agencies shall  
10 continue to serve until replaced as provided for under this Act. All rights and  
11 obligations of the said government agencies are hereby transferred to and assumed  
12 by the Commission, and shall be acted upon, in accordance with the rules and  
13 regulations of the Commission on Audit (COA) and other pertinent laws, rules, and  
14 regulations.

15 *Sec. 23. Separation from Service.* – Employees separated from government  
16 service as a result of this Act shall be entitled to the benefits which they may receive  
17 under existing laws, rules and regulations.

18 *Sec. 24. Appropriations and Use of Fees, Charges and Penalties.* – The initial  
19 budgetary requirements of the Commission of three hundred million pesos  
20 (P300,000,000.00) is hereby appropriated. All fees, fines, penalties collected by the  
21 Commission and its Regulatory Units shall not be retained by the Commission, but will  
22 be remitted to the National Treasury and shall accrue to the general funds. Such funds  
23 necessary for the continuous and effective operation of the Commission shall be  
24 included in the annual General Appropriations Act.

25 *Sec. 25. Transparency Clause.* – Final decisions, orders and rulings of the  
26 Commission shall be published on the official website. Records of public proceedings  
27 shall be made available to the public.

28 *Sec. 26. Effectivity.* – This Act shall take effect immediately upon its approval.  
29 The Chairman of the Commission shall, after due consultation with stakeholders,  
30 promulgate such other rules and regulations as may be necessary and appropriate to  
31 implement this Act.

1           Sec. 27. *Separability Clause.* – In the event 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. 28. *Repealing Clause.* – The provision with respect to fixing of water rates  
5 and sanitation service fees of Section 3 (h) and Section 12, and regulation of  
6 waterworks and deep wells of Section 3 (n), regulation of waterworks and sanitation  
7 systems in privately owned subdivisions of Section 3 (p) of Republic Act 6234, as  
8 amended, is hereby repealed or modified accordingly.

9           Section 62 on regulation and Section 63 on rate review of Presidential Decree  
10 198, as amended by LOI700 (1978), LOI 744 (1978), EO 124 (1987), EO 123 (2002),  
11 is hereby repealed or modified accordingly.

12           The provisions of the Local Government Code and its Implementing Rules and  
13 Regulations (IRR), which allow local government units to fix the rates of water utilities  
14 owned, operated and maintained by them within their jurisdiction, is hereby repealed  
15 or modified accordingly.

16           Section 13 (b) on regulation of enterprises in ECOZONE under RA 7916, as  
17 amended, or the "*Special Economic Zone Act of 1995*," as amended, is hereby repealed  
18 or modified accordingly.

19           "Provisions under Section 69 of RA 9593, or the "*Tourism Act of 2009*" and its  
20 IRR which mandates the Tourism Infrastructure and Enterprise Zone Authority to grant  
21 franchises, supervise the operation of public utilities, and register, monitor and  
22 regulate enterprises within Tourism Enterprise Zones, are hereby repealed or modified  
23 accordingly."

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

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

29           Sec. 29. *Effectivity Clause.* – This Act shall take effect after fifteen (15) days  
30 following its complete publication in the *Official Gazette* or in two (2) newspapers of  
31 general circulation in the Philippines.

*Approved,*