Title: Manila Electric Company (MERALCO) v. Lucy Yu

Facts:
The Manila Electric Company (MERALCO), a utility corporation, supplied electricity to Lucy Yu, who ran a business manufacturing appliance spare parts. On December 9, 1999, MERALCO's representatives, led by Engineer William T. Chan, and accompanied by armed personnel and law enforcement, inspected Yu's electric meter and immediately issued a Notice of Disconnection, cutting off the electricity supply to Yu's residence and business operated by New Supersonic Industrial Corporation (NSIC), owned by Yu's family.

Yu claimed that she was deprived of due process and that the disconnection severely impacted her business, causing losses estimated at P23,500,000.00. In response, MERALCO countered that the disconnection followed the discovery of a current reversing transformer indicating electricity tampering and that they served a disconnection notice on the spot, which Yu's representative signed.

The proceedings moved from the Regional Trial Court (RTC) of Valenzuela City, Branch 172, to the Court of Appeals (CA). Both courts found MERALCO in violation of RA 7832—Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994—for disconnecting Yu's electricity supply without due prior notice.

Issues:
1. Whether MERALCO complied with RA 7832's requirements for disconnection of electric service.
2. Whether MERALCO is liable for temperate, moral, and exemplary damages to Yu.
3. Whether MERALCO is entitled to its counterclaim for differential billings.

Court's Decision:
The Supreme Court upheld the CA's decision and denied MERALCO's petition. It was found that MERALCO failed to provide prior written notice required by RA 7832 and determined that while temperate and exemplary damages were justifiable, moral damages were not warranted due to a lack of evidence of Yu's alleged sufferings. The award for temperate damages was reduced to P50,000, and exemplary damages were set at P100,000, with the claim for moral damages being entirely dismissed. MERALCO was not entitled to differential billings, as there was no substantial evidence of electricity tampering.

Doctrine:
1. A service provider cannot deprive customers of their services without due process,

specifically without giving written notice of disconnection at least 48 hours before taking action.
2. Prior written notice must be served for legal disconnection for purported electricity pilferage.
3. The presumption of bad faith arises from the failure of an electric service provider to comply with regulations governing service disconnection.

Class Notes:
– Due Process: the requirement of prior due notice means the person must be given reasonable time to respond to any allegations affecting their legal rights, per RA 7832 and the analogy drawn from Section 97 of Revised Order No. 1 of the PSC.
– RA 7832, Section 4(a): establishes prima facie evidence of illegal electricity use and sets guidelines for disconnection.
– Separation of Legal Entities: Individual shareholders cannot claim damages pertaining to corporate losses, based on the legal distinction between a corporation and its members or stockholders.
– Damages: requirements for awarding temperate damages where pecuniary loss exists but cannot be accurately measured; moral damages when an injury is clearly sustained and its causal connection to the defendant's action is established; exemplary damages as a deterrent for public good.

Historical Background:
The case is set against the backdrop of the Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994 (RA 7832), which underscores the Philippines' effort to curb electricity theft and ensure due process in utility services. It also reflects the legal principle of corporate entity separation, emphasizing the distinct legal rights and obligations of corporations and their shareholders.