

Title:

Merida Water District et al. vs. Francisco Bacarro et al.

Facts:

On October 10, 2001, the Merida Water District (MWD), serving Merida, Leyte, held a public hearing on proposed water rate increases. Subsequently, on March 7, 2002, MWD received confirmation from the Local Water Utilities Administration (LWUA) for the rate increase via Board Resolution No. 63, Series of 2002. MWD then implemented the rate increase by Resolution No. 006-02, leading to disconnection notices for non-compliant concessionaires.

Respondents, consumers of MWD, filed for injunction against this increase on February 13, 2003, at the Regional Trial Court (RTC), arguing the rate increase contravened the agreed-upon rate at the public hearing and exceeded a 60% limit as per LOI No. 700. MWD moved to dismiss, citing a lack of action because of unexhausted administrative remedies under P.D. 198, as amended. Concurrently, respondents also sought the National Water Resources Board's (NWRB) intervention.

The RTC denied MWD's motion, prompting an appeal to the Court of Appeals (CA) by MWD which affirmed the RTC's decision. MWD appealed to the Supreme Court, arguing against respondents' direct recourse to the RTC for failing to exhaust administrative remedies.

Issues:

- Whether respondents' direct recourse to RTC was proper despite not exhausting administrative remedies.

Court's Decision:

The Supreme Court granted MWD's petition, reversing the CA and RTC decisions. It held that respondents failed to exhaust administrative remedies as required by P.D. No. 198, as amended by P.D. No. 1479 and the doctrine of exhaustion of administrative remedies. The Court found no merit in respondents' justification for bypassing administrative routes, stating that determinations about the legality of the rate increase and the adequacy of public hearing processes fell within specialized administrative bodies' purview, specifically the NWRB.

Doctrine(s):

- Exhaustion of Administrative Remedies: Parties must exhaust available administrative remedies before seeking judicial intervention, allowing administrative bodies with

specialized expertise to address questions within their jurisdiction first.

- **Doctrine of Non-Interference**: The judiciary must refrain from interfering with matters falling primarily within the competence of other departments or administrative authorities.

Class Notes:

- **Exhaustion of Administrative Remedies**: A principle requiring disputing parties to use all available administrative remedies before resorting to court.

- **Doctrine of Non-Interference**: Highlights the judiciary's policy of minimizing interference with decisions within the primary jurisdiction of administrative bodies or agencies.

- **LOI No. 700 and P.D. No. 198**: Establish guidelines for the increase in water rates and the necessity of public hearings before such increases.

Relevant Provisions:

- **P.D. No. 198 (The Provincial Water Utilities Act of 1973)**, as amended, particularly Sections relating to the review of water rates by the LWUA and the route for appealing to the NWRB and eventually, the Office of the President.

- **Letter of Instructions (LOI) No. 700**, which stipulates that water rate increases should not exceed 60% of the current rate without a proper public hearing.

Historical Background:

The case reflects the tension between the administrative decision-making process and judicial review, especially in public utility rate settings. It illuminates the procedural and substantive requirements for rate increases in government-operated utilities in the Philippines, highlighting the importance of administrative expertise and procedural safeguards in such essential public services.