

Title: MORE Electric and Power Corporation vs. Panay Electric Company, Inc. (G.R. No. 249406)

Facts:

This case involves two petitions filed by MORE Electric and Power Corporation (MORE) and the Republic of the Philippines against Panay Electric Company, Inc. (PECO). The petitions challenge the July 1, 2019 Judgment of the Regional Trial Court (RTC) of Mandaluyong City, which declared Sections 10 and 17 of Republic Act No. 11212 unconstitutional. These sections allowed MORE, as the current franchise holder, to acquire the power and electricity distribution system in Iloilo City, which was owned by PECO, the previous franchise holder, through the exercise of eminent domain.

The series of events leading to the Supreme Court's involvement began with the expiration of PECO's franchise to operate the electric power distribution system in Iloilo City on January 18, 2019. Although no new franchise was issued to PECO, it continued to operate the system under a Provisional Certificate of Public Convenience and Necessity issued by the Energy Regulatory Commission. Shortly after R.A. No. 11212 took effect, granting MORE a new franchise, MORE filed a Complaint for Expropriation with the RTC of Iloilo City to acquire PECO's distribution system. Concurrently, PECO filed a Petition for Declaratory Relief questioning the constitutionality of the same provisions of R.A. No. 11212. The RTC issued a Temporary Restraining Order against the expropriation proceedings and later, rendered the assailed judgment declaring Sections 10 and 17 of R.A. No. 11212 unconstitutional, a decision which MORE and the Republic now contest before the Supreme Court.

Issues:

1. Whether the RTC erred in ruling that Sections 10 and 17 of R.A. No. 11212 are unconstitutional because they provide for the acquisition of PECO's distribution system by MORE for the same public use of electricity distribution in Iloilo City, amounting to a violation of due process and equal protection clauses.
2. Whether the distribution system operated by PECO can be subjected to expropriation for the same public purpose of power distribution by MORE.
3. Whether expropriation under Sections 10 and 17 of R.A. No. 11212 serves a genuine public necessity.

Court's Decision:

The Supreme Court reversed the RTC's decision and declared Sections 10 and 17 of

Republic Act No. 11212 constitutional. The Court established that the legislative franchises governing PECO's distribution system in Iloilo City show that its system is susceptible to expropriation for the same public purpose of electricity distribution, provided it is expressly authorized by law or necessarily implied. The Court found that the expropriation by MORE of PECO's distribution system under Sections 10 and 17 of R.A. No. 11212 is in line with the constitutional requirements of due process and equal protection because it serves the profound public purpose of ensuring the continuous and uninterrupted supply of electricity in Iloilo City, which qualifies as a legitimate exercise of the State's power of eminent domain.

Doctrine:

This case reiterates the doctrine that private property already devoted to public use can be subjected to expropriation for the same public purpose provided such expropriation is expressly authorized by law or necessarily implied, and it meets the constitutional requirements of due process and equal protection. The genuine necessity for the taking of private property must be for a distinct public purpose, which, in this context, is ensuring the uninterrupted supply of electricity.

Class Notes:

1. Eminent Domain: The inherent power of the State to take or authorize the taking of private property for public use, upon payment of just compensation, subject to constitutional limitations.
2. Public Purpose/Use: While traditionally meaning actual use by the public, it has evolved to also encompass any use that benefits the public such as ensuring uninterrupted supply of essential services like electricity.
3. Due Process and Equal Protection in Eminent Domain: The exercise of eminent domain must not violate constitutional guarantees of due process and equal protection. Expropriation must serve a genuine public necessity, and not merely facilitate a transfer of property serving private interests.
4. Legislative Franchises and Susceptibility to Expropriation: Legislative franchises may include provisions that make the franchisee's properties susceptible to expropriation for the same or related public purposes, provided there are substantial and legal bases for such provisions.

Historical Background:

This case highlights the ongoing legal discourse on the limits and application of eminent domain, especially in the context of public utilities and services. The transition of service

provision from one entity to another, where significant public interest is involved, illustrates the complex interplay between private rights and public welfare. It underscores the evolving interpretation of “public use” or “public purpose” in eminent domain exercised not directly by the State but through private entities serving essential public services.