

THIRD DIVISION

[G.R. No. 207429, November 18, 2020]

MANILA ELECTRIC COMPANY (MERALCO), PETITIONER, VS. AAA CRYOGENICS PHILIPPINES, INC., RESPONDENT.

DECISION

HERNANDO, J.:

This Petition for Review on *Certiorari*^[1] assails the July 23, 2012 Decision^[2] and May 29, 2013 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 89307 which affirmed with modifications the July 6, 2005 Joint Decision^[4] of the Regional Trial Court (RTC), Branch 164 of Pasig City in Civil Case No. 66768, an action for injunction and damages by AAA Cryogenics Philippines, Inc. (AAA), and Civil Case No. 67951, a complaint for collection of sum of money by Manila Electric Company (Meralco).

The Antecedents:

The facts, as summarized by the CA, are as follows:

AAA was engaged in the production of liquid forms of gasses, such as liquid oxygen, liquid nitrogen and liquid argon. In the production of these products, the plant facilities of AAA relied on computers and electronic processors that required a very stable source of power, otherwise the whole plant would shut down and freeze up. Every time the plant shut[s] down due to power fluctuation, the purity of the liquid gasses went down, and the plant had to stop production for at least four hours in order to regain the required purity of the gasses. Further, if the plant froze up, it had to be dried out for at least 72 hours without production, and then cooled down again for at least 16 hours before production could resume. A stable source of power was, thus, crucial to AAA's operations.

Between October 1997 and April 1998, AAA's Plant Supervisor reported fluctuations and interruptions in the electrical power supplied by Meralco on the following dates:

Fluctuations	Interruptions
10, 14 & 17 October 1997	11 October 1997
1, 5, 14, 18 & 28 November 1997	13, 14 & 28 November 1997
8 & 12 December 1997	6 & 25 February 1998
9, 12, 23,24 & 26 February 1998	12, 14, 18 & 23 March 1998

7, 10, 16, 21, 23, 26 & 28 March 1998	
5 April 1998	

As a result of these power fluctuations and interruptions, AAA suffered losses in the amount of P21,092,760.00.

AAA sent several letters informing Meralco of its problems with respect to the supply of power, but Meralco could not remedy the situation, except to advise AAA to install power conditioning equipment in the form of a motor generator set in order to level out the supply of power.

In the meantime, AAA stopped paying its electrical bills until its total accountabilities reached P13,657,141.56. Meralco, thus, disconnected and terminated its service contract with AAA. After deducting AAA's service and meter deposit and applying interest charges, Meralco computed AAA's unpaid bills to amount to P10,453,477.55.

On 23 April 1998, AAA filed an action for Injunction and Damages against Meralco seeking to collect the amount of P21,092,760.00 representing its losses due to power fluctuations and interruptions, among other damages. The case was docketed as Civil Case No. 66768.

On the other hand, on 16 June 2000, Meralco filed an action against AAA for Collection of Sum of Money to collect the sum of P13,657,141.56 representing the latter's unpaid electric bill. This case was docketed as Civil Case No. 67951. The two cases were consolidated on 9 August 2001 since they arose from a single contract and the same set of facts.^[5] (Citations omitted)

During trial, AAA presented the Log Sheet Readings of its computers, which contained the exact time and date when the purity of gases fell below the required purity.^[6] According to AAA's plant supervisor Raul D. Cruz, Jr. (Cruz), the fall in the purity of gases indicated the presence of power fluctuations and interruptions.^[7] Further, to prove the amount of actual damages it suffered, AAA submitted two documents: (1) Summary of Production Losses due to Fluctuation;^[8] and (2) Comparative Presentation of Production under Normal Power Supply, Production when there is Power Fluctuation and Quantity in Cubic Meters of Productive Losses due to Power Fluctuation.^[9]

To rebut AAA's claim of power fluctuations and interruptions, Meralco presented two Daily Interruption Reports prepared by its personnel, which showed that there were only two power interruptions which occurred during the period in question, as recorded by its computers.^[10] Meralco likewise presented expert witnesses who stressed that power interruptions and fluctuations are normal due to the inherent nature of electricity, and thus unavoidable.^[11]

Ruling of the Regional Trial Court:

In its July 6, 2005 Joint Decision,^[12] the RTC found Meralco liable for actual damages arising from its failure to deliver constant energy supply to AAA, in breach of its contractual obligation to deliver energy "at reasonably constant potential and

frequency" under the Agreement for the Sale of Electric Energy.^[13] The trial court relied on the Log Sheet Readings of AAA's computers as well as the testimony of Cruz that the purity of gases fell during power fluctuations and interruptions.^[14] The RTC likewise relied on Meralco's expert witness Mamerto Cañita (Cañita), who affirmed the capability of AAA's computers to accurately record the power fluctuations and interruptions.^[15] On the other hand, the RTC found that Meralco failed to provide any concrete explanation as to the root cause of the power fluctuations and interruptions.^[16] Its expert witnesses merely attributed the same to the inherent nature of electricity.^[17] Thus, the trial court found Meralco liable for the amount of P21,092,760.00 representing the production losses suffered by AAA, as shown in the latter's documentary evidence.^[18] The RTC likewise held Meralco liable for exemplary damages amounting to P300,000.00 and attorney's fees amounting to P200,000.00.^[19]

As to Meralco's collection claim against AAA, the RTC held AAA liable for its unpaid electricity bills amounting to P10,453,477.55, as well as attorney's fees amounting to 20% of the unpaid bills. The RTC further ordered the parties' respective liabilities to be offset.

The dispositive portion of the RTC's Joint Decision reads:

WHEREFORE:

1. In Civil Case No. 66768, the court finds for the plaintiff AAA and hereby orders defendant Meralco to pay:

- a) P21,092,760.00 – as actual damages;
- b) P300,000.00 – as exemplary damages;
- c) P200,000.00 – as and for attorney's fees; and d) the cost of suit.

2. Civil Case No. 67951, the court finds for the plaintiff Meralco and hereby orders defendant AAA to pay:

- a) P10,453,477.55 – as actual damages with legal interest of six (6%) per cent per annum computed from the filing of this case;
- b) 20% of the aforesaid amount – as attorney's fees; and
- c) the costs.

In addition, AAA may set off the amount demanded by Meralco in payment of its unpaid bills for the period of January to July 1999, in accordance with the law.

SO ORDERED.^[20]

Both parties appealed to the CA, with AAA insisting that it should not be held liable for its unpaid electricity bills, and with Meralco maintaining that aside from the two power interruptions recorded by its computers, the remaining ones reported by AAA did not occur.

Ruling of the Court of Appeals:

In its assailed Decision, the CA affirmed the RTC's July 6, 2005 Joint Decision with modification in that the award of attorney's fees to both parties was deleted for having no factual or legal basis.^[21]

As to AAA's appeal, the CA rejected AAA's argument that it should not pay for the electricity delivered by Meralco supposedly since it did not benefit from it, considering that it never raised such defense before the trial court.^[22] The appellate court held that in any case, Meralco never guaranteed the economic benefit of the electricity it supplied.^[23]

As to Meralco's appeal, the CA affirmed the RTC's finding as to the occurrence of the power fluctuations and interruptions in the electricity supplied by Meralco, given that AAA's plant was highly automated and purely computerized.^[24] Similar with the RTC, the CA relied on Cañita's statement that AAA's computers recorded power fluctuations and interruptions accurately.^[25] Such admission, according to the appellate court, shifted the burden on Meralco to disprove that such power fluctuations and interruptions occurred.^[26] Unfortunately for the utility company, it was unable to discharge such burden. The CA further held that in any case, given Meralco's January 28, 1998 letter enumerating the steps it intended to take to "minimize if not eliminate power trippings," it practically admitted that such power trippings or interruptions occurred.^[27] As a result of such power fluctuations and interruptions, the CA held that AAA suffered actual damages as shown in its documentary evidence.^[28]

The CA further affirmed the RTC's grant of exemplary damages as Meralco repeatedly failed to address AAA's concerns.^[29] It likewise considered that Meralco is a public utility company "tasked to undertake extraordinary diligence in the exercise of its responsibilities to render good service to the public."^[30]

The dispositive portion of the assailed Decision of the appellate court reads:

WHEREFORE, the *Joint Decision*, dated 6 July 2005 of the Regional Trial Court, Branch 164, Pasig City is **AFFIRMED with MODIFICATION** in that the award of attorney's fees to both AAA Cryogenics Philippines, Inc. and Manila Electric Company is **DELETED**.

SO ORDERED.^[31]

Meralco moved for a partial reconsideration, which was however denied for lack of merit by the CA in its assailed Resolution.^[32] AAA no longer moved for the reconsideration of the assailed Decision.

The Petition:

Meralco raises the following questions in its Petition:

[1] Whether actual damages may be awarded in the absence of adequate proof of pecuniary loss[;]

[2] Whether exemplary damages may be awarded in the absence of proof that defendant acted in a wanton, fraudulent, reckless, oppressive and malevolent manner; and

[3] Whether attorney's fees may still be deleted even if it is adequately shown that claimant was compelled to litigate with third persons or incur expenses to protect his interest by reason of an unjustified act or omission on the part of the party from whom it is sought.^[33]

As to the first question, Meralco argues that AAA failed to prove the occurrence of the power fluctuations and interruptions, and that the same were caused by Meralco.^[34] According to the energy firm, the Log Sheet Readings which served as basis of the RTC's finding that there were power interruptions and fluctuation, do not prove the occurrence of the same since the readings merely pertained to the purity of AAA's gas products, not recordings of power fluctuations or interruptions.

^[35] As to Cañita's supposed admission of the accuracy of AAA's computers, Meralco claimed that Cañita's answer was merely a general answer to the question of whether computers can accurately record power fluctuations and interruptions, without specific reference to AAA's computers.^[36] Further, according to Meralco, unlike AAA which was unable to prove the capability of its computers to record power fluctuations and interruptions, Meralco's highly specialized computer, the Supervisory Control And Data Acquisition (SCADA) monitor, can specifically record power fluctuations and interruptions.^[37] And, according to the SCADA monitor, there were only two interruptions during the period in question, both of which were caused by an "act of God and/or breakdown or damage to the machinery or distribution of the Company," and for which Meralco should not be held liable for.^[38] Meralco posits that in any case, there was no sufficient evidence that AAA suffered actual damages since the documents submitted by AAA to prove its alleged production losses were a product of mere estimation.^[39]

Moreover, Meralco contends that there was no evidence of fraud, bad faith, or wanton disregard of its contractual obligations to warrant the RTC's award of exemplary damages.^[40] In addition, Meralco argues that it is entitled to attorney's fees in view of AAA's unjustified refusal to pay its bills.^[41]

In its Comment,^[42] AAA points out that the Petition did not raise "special and important reasons" for its allowance.^[43] Further, it raised only questions of facts which are not proper in a Rule 45 petition.^[44] As to the power fluctuations and interruptions, AAA argues that its occurrence was adequately supported by evidence, as reflected in the RTC's July 6, 2005 Joint Decision, and which finding was significantly affirmed by the CA.^[45] As to the award of exemplary damages, AAA avers that it was proper considering Meralco's wanton disregard of its responsibilities.^[46] As to the attorney's fees, AAA maintains that its deletion was likewise proper since its failure to pay its electricity bills was caused by the liquidity problems it experienced due to the power fluctuations and interruptions.^[47]

In its Reply,^[48] Meralco argues that the Court may resolve questions of fact raised in a Rule 45 petition under the exceptions to the general rule, which exceptions were supposedly present in the instant case.^[49] Thus, it insists that apart from the two power interruptions it recorded, the remaining power fluctuations and interruptions claimed by AAA never occurred.^[50] Further, it emphasized that no other Meralco customer in the area had come forward and claimed liability against Meralco.^[51]