

THIRD DIVISION

[G.R. No. 196140, January 27, 2016]

NATIONAL POWER CORPORATION, PETITIONER, VS. ELIZABETH MANALASTAS AND BEA CASTILLO, RESPONDENTS.

DECISION

PERALTA, J.:

This resolves the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, praying that the Decision^[1] of the Court of Appeals (CA) promulgated on September 9, 2010, and its Resolution^[2] dated March 14, 2011, denying petitioner's Motion for Partial Reconsideration be reversed and set aside.

Sometime in 1977 to 1978, petitioner, a government-owned and controlled corporation involved in the development of hydro-electric generation of power and production of electricity, and the construction, operation and maintenance of power plants, transmission lines, power stations and substations, among others, constructed a 230 KV transmission line for the Naga-Tiwi line and a 69 KV transmission line for the Naga-Tinambac line on respondents' parcel of land covered by TCT No. 26263, affecting an area of 26,919 square meters. Petitioner entered said land without the knowledge or consent of respondents, without properly initiating expropriation proceedings, and without any compensation to respondents-landowners. Because of said transmission lines, respondents alleged that they could no longer use their land as part of a subdivision project as originally intended, which ultimately caused financial loss to their family. Thus, in July 2000, respondents (plaintiffs below, who were then joined by their mother, Celedonia, and brother, Mariano; Celedonia and Mariano are no longer impleaded as parties in this petition as the CA Decision has attained finality as to them)^[3] filed a complaint against petitioner and its officers with the Regional Trial Court of Naga City (*RTC*). Respondents demanded the removal of the power lines and its accessories and payment of damages, or in the alternative, payment of the fair market value of the affected areas totalling 26,000 square meters of respondents' land at P800.00 per square meter.

On November 17, 2006, the *RTC* issued a Decision, the dispositive portion of which reads as follows:

WHEREFORE, defendant NAPOCOR is hereby ordered to:

1) Pay plaintiffs the amount of PESOS: NINETY-TWO MILLION EIGHT HUNDRED TWENTY-SEVEN THOUSAND and THREE HUNDRED FIFTY-ONE (P92,827,351.00), by way of just compensation, broken down as follows:

a) For (he plaintiffs Elizabeth Manalastas and Bea Castillo:

P32,033,610.00 - Value of the land

P53,816,461.00 - Interest at 6% per annum for 28 years

P85,850,071.00 - Total

b) For the plaintiffs Celedonia Mariano and Enrico Mariano:

P1,000,200.00 - Value of the land

P5,887,080.00 - Interest at 6% per annum for 9 years

P6,977,280.00 - Total

2) Pay Attorney's fees to plaintiffs in the amount of Pesos: One Hundred Thousand (P100,000.00).

With cost against plaintiff (sic) NAPOCOR.

SO ORDERED.^[4]

On appeal to the CA, herein petitioner argued that the RTC erred in factoring the devaluation of the peso in the computation of the fair market value of respondents' land. In a Decision dated September 9, 2010, the CA affirmed the RTC judgment with modification, reducing the award to Celedonia and Enrico Mariano (respondents' co-plaintiffs below) to P1,678,908.00. The CA ruled that petitioner could no longer assail the valuation that petitioner itself recommended, the same being a judicial admission. Moreover, the CA pointed out that taking an inconsistent position on appeal cannot be allowed. Petitioner's motion for reconsideration was denied in a Resolution dated March 14, 2010.

Hence, the present petition where petitioner alleges as follows:

I.

ESTOPPEL IS INOPERATIVE AGAINST THE GOVERNMENT; THE INFLATION FACTOR SHOULD NOT BE INCLUDED IN THE COMPUTATION OF JUST COMPENSATION

II.

THE DETERMINATION OF JUST COMPENSATION IS A JUDICIAL FUNCTION. COURTS ARE THEREFORE NOT BOUND TO UPHOLD A PARTY'S FORMULATION OF JUST COMPENSATION; [and]

III.

THE AWARD OF EIGHTY-FIVE MILLION EIGHT HUNDRED FIFTY THOUSAND AND SEVENTY-ONE PESOS (Php85,850,071.00) WILL UNJUSTLY ENRICH THE RESPONDENTS.^[5]

The Court finds the petition meritorious.

The bone of contention in this case is the inclusion of the inflation rate of the Philippine Peso in determining the just compensation due to respondents. Petitioners maintain that such inclusion of the inflation rate in arriving at the value of just compensation has no legal basis, and it was a palpable mistake on the part of its representatives and counsel below to make a recommendation factoring in said inflation rate in the computation of just compensation. None of the parties contest the finding that the fair market value of the property at the time of taking was Php 170.00 per square meter.

It should be noted that in *Secretary of the Department of Public Works and Highways, et al. v. Spouses Heracleo and Ramona Tecson*,^[6] the Court stressed that "just compensation is the value of the property at the time of taking that is controlling for purposes of compensation." In a motion for reconsideration of the Decision in said case, the landowners argued that it would be unjust if the amount that will be awarded to them today will be based on the value of the property at the time of actual taking. In its Resolution dated April 21, 2015, the Court fully explained that:

x x x the State is not obliged to pay premium to the properly owner for appropriating the latter's property; it is only bound to make good the loss sustained by the landowner, with due consideration of the circumstances availing at the time the property was taken. More, the concept of just compensation does not imply fairness to the property owner alone. Compensation must also be just to the public, which ultimately bears the cost of expropriation.

Notwithstanding the foregoing, we recognize that the owner's loss is not only his property but also its income-generating potential. Thus, when property is taken, full compensation of its value must immediately be paid to achieve a fair exchange for the property and the potential income lost. Accordingly, in *Apo*, we held that the rationale for imposing the interest is to compensate the petitioners for the income they would have made had they been properly compensated for their properties at the time of the taking. Thus:

We recognized in *Republic v. Court of Appeals* the need for prompt payment and the necessity of the payment of interest to compensate for any delay in the payment of compensation for property already taken. We ruled in this case that:

The constitutional limitation of "just compensation" is considered to be the sum equivalent to the market value of the property, broadly described to be the price fixed by the seller in open market in the usual and ordinary course of legal action and competition or the fair value of the property as between one who receives, and one who desires to sell, i[f] fixed at the time of the actual taking by the government.