

## THIRD DIVISION

[ G.R. NO. 144474, April 27, 2007 ]

**SAMAR II ELECTRIC COOPERATIVE, INC., AND BALTAZAR DACULA, PETITIONERS, VS. ESTRELLA QUIJANO, RESPONDENT.**

### DECISION

**AUSTRIA-MARTINEZ, J.:**

By way of a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, petitioners Samar Electric Cooperative, Inc. (SAMELCO) and Baltazar Dacula (Dacula) assail the September 7, 1999 Decision<sup>[1]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 32035,<sup>[2]</sup> which affirmed *in toto* the January 15, 1991 Decision of the Regional Trial Court (RTC), and the July 17, 2000 CA Resolution<sup>[3]</sup> which denied petitioners' Motion for Reconsideration.

The facts which are not disputed are summarized below.

SAMELCO observed the reduction by more or less 50% in the electric consumption from April 1983 to March 1984 of one of its customers, spouses Norberto and Estrella Quijano, as registered in their electric meter.<sup>[4]</sup>

On May 14, 1984, SAMELCO sent an inspection team, headed by Dacula, to the residence of the Spouses Quijano. Upon inspection of the electric meter, the team found that it no longer had the three meter seals previously attached to it and the rotating disc was adjusted upward causing it to stop intermittently.<sup>[5]</sup> The inspection team then removed the device and disconnected the spouses' electric service. The Spouses Quijano were not at home when all these happened; only their seventeen-year old daughter, Jenny Quijano, was around.

The following day, the Spouses Quijano requested SAMELCO to restore their electric service but SAMELCO required them to pay penalty charges for allegedly tampering with the electric meter. The Spouses Quijano refused to pay, insisting that their electric meter was not tampered with. Instead, they filed a Complaint<sup>[6]</sup> for Damages with the RTC against SAMELCO and Dacula. The latter filed a Motion to Dismiss<sup>[7]</sup> on the ground that the complaint involves an intra-corporate dispute between SAMELCO as an electric cooperative and Spouses Quijano as its members and that jurisdiction over it is vested in the Securities and Exchange Commission. The RTC denied the motion in an Order<sup>[8]</sup> dated November 9, 1984.

After trial, the RTC rendered a Decision dated January 15, 1991, holding SAMELCO and Dacula solidarily liable for damages, thus:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs and against the defendants, ordering the latter to comply

with the following, to wit:

1. to pay plaintiffs solidarily the amount of five thousand (P5,000.00) pesos for actual damages; twenty thousand (P20,000.00) pesos for moral damages; five thousand (P5,000.00) pesos for exemplary damages; and five thousand (P5,000.00) pesos for attorney's fees plus two thousand (P2,000.00) pesos for litigation expenses; and
2. to return and reconnect the electric meter of the plaintiff to its original installation immediately upon request of the plaintiffs.

SO ORDERED.<sup>[9]</sup>

SAMELCO and Dacula appealed<sup>[10]</sup> but were rebuffed by the CA in the September 7, 1999 Decision assailed herein. Their Motion for Reconsideration<sup>[11]</sup> was also denied by the CA in its July 17, 2000 Resolution.

SAMELCO and Dacula (petitioners) took the present recourse to have the September 7, 1999 CA Decision and January 15, 1991 RTC Decision reversed on the following grounds:

A. The trial court and the Honorable Court of Appeals committed an error of law in their interpretation and application of Articles 19 and 21 of the Civil Code.

1. SAMELCO II was not primarily motivated by hatred or desire to cause damage or prejudice upon herein respondent and her family but rather by its desire to save itself from financial destruction by eliminating, if not minimizing, pilferage of electricity.
2. There was sufficient factual basis for SAMELCO II to inspect its own electric meter installed at the store and residence of herein respondent.
3. Herein petitioners' inspection of the electric meter and the electric appliances and contrivances inside the store and residence of herein respondent was practically with prior authority from the latter.
4. The inspection of the electric meter and of herein respondents' appliances, lamps and other electrical gadgets, as well as the removal of the meter, were not done in wanton and high-handed manner. No "abuse of right" was ever committed by herein petitioners.

B. The Honorable Court of Appeals erred in not dismissing the complaint of herein respondent on the ground of lack of jurisdiction.

<sup>[12]</sup>

We will address the jurisdictional issue ahead of the substantive ones.

There has been quite a number of cases where we recognized the original jurisdiction of the RTC over actions for damages or injunction arising from the arbitrary disconnection of electrical services.<sup>[13]</sup> The case most akin to the present petition is *Sps. Quisumbing v. Meralco*<sup>[14]</sup> where the Court sustained with modification the RTC and CA decisions which awarded damages to the spouses Quisumbing for the arbitrary manner in which Meralco disconnected their electric service.

Petitioners, nonetheless, reiterate the arguments in their Motion for Reconsideration with the CA that, as respondents are its members-consumers, their complaint falls within the jurisdiction of the NEA based on Sections 10, 35 and 46 of Presidential Decree (P.D.) No. 269.<sup>[15]</sup>

This Court is not persuaded. No such adjudicatory power is vested by P.D. No. 269 in NEA.

Petitioners relied only on the first paragraph of Section 10 of P.D. No. 269 (as amended by P.D. No. 1645) the full text of which reads:

Sec. 10. *Enforcement Powers and Remedies.* — In the exercise of its power of supervision and control over electric cooperatives and other borrower, supervised or controlled entities, the NEA is empowered to issue orders, rules and regulations and *motu proprio* or upon petition of third parties, to conduct investigations, referenda and other similar actions ***in all matters affecting said electric cooperatives*** and other borrower, or supervised or controlled entities.

If the electric cooperative concerned or other similar entity fails after due notice to comply with NEA orders, rules and regulations and/or decisions, or with any of the terms of the Loan Agreement, the NEA Board of Administrators may avail of any or all of the following remedies:

(a) Refuse to make or approve any loan to the borrower or to release funds to implement loans that are otherwise already approved;

(b) Withhold NEA advances, or withhold approval of advances or fund releases in behalf of any other lender with respect to which the NEA has such power relative to loans made;

(c) Withhold any technical or professional assistance otherwise being furnished or that might be furnished to the borrower;

(d) Foreclose any mortgage or deed of trust or other security hold by the NEA on the properties of such borrower, in connection with which the NEA may subject to any superior or co-equal rights in such lien held by any other lender, (1) bid for and purchase or otherwise acquire such properties; (2) pay the purchase price thereof and any costs and expenses incurred in connection therewith out of the revolving fund; (3) accept title to such properties in the name of the Republic of the Philippines; and (4) even prior to the institution of foreclosure proceedings, operate or lease such properties for such period, and in

such manner as may be deemed necessary or advisable to protect the investment therein, including the improvement, maintenance and rehabilitation of systems to be foreclosed, but the NEA may, within five years after acquiring such properties in foreclosure proceedings, sell the same for such consideration as it determines to be reasonable and upon such terms and conditions as it determines most conducive to the achievement of the purposes of this Decree; or

(e) Take preventive and/or disciplinary measures including suspension and/or removal and replacement of any or all of the members of the Board of Directors, officers or employees of the Cooperative, other borrower institutions or supervised or controlled entities as the NEA Board of Administrators may deem fit and necessary and to take any other remedial measures as the law or the Loan Agreement may provide.

No Cooperative shall borrow money from any source without the Board of Administrator's prior approval: Provided, That the NEA Board of Administrators, may, by appropriate rule or regulation, grant general permission to Cooperative to secure short-term loans not requiring the encumbrance of their real properties or of a substantial portion of their other properties or assets.

It is a fundamental rule in statutory construction that the clauses, phrases, sections and provisions of a law be read as a whole; never as disjointed or truncated parts, [16] for a law is enacted as a single entity and not by installment of paragraphs here and subsections there.[17] Applying this rule to Section 10, its opening paragraph must be read in relation to the succeeding subsections. The phrase in the opening paragraph ostensibly vesting in the NEA jurisdiction over "all matters" involving electric cooperatives actually pertain to the subjects covered in the succeeding subsections such as the organization of electric cooperatives,[18] rate fixing,[19] loan agreements and fund management. This is a rational understanding of Section 10 for, as specified in the preamble of the law, the primary purpose of the NEA is to ensure total electrification through the administration of funds for the establishment and operation of electric cooperatives.

Petitioners' reliance on Section 35 of P.D. No. 269 is likewise misplaced. The provision reads:

Section 35. *Non-profit, Non-discriminatory, Area Coverage Operation and Service.* A cooperative shall be operated on a non-profit basis for the mutual benefit of its members and patrons; shall, **as to rates and services make or grant no unreasonable preference or advantage to any member or patron nor subject any member or patron to any unreasonable prejudice or disadvantage;** shall not establish or maintain any unreasonable difference as to rates or services either as between localities or as between classes of service; shall not give, pay or receive any rebate or bonus, directly or indirectly, or mislead its members in any manner as to rates charged for its services; and shall furnish service on an area coverage basis; Provided, That for any extension of service which if treated on the basis of standard terms and conditions is so costly as to jeopardize the financial feasibility of the cooperative's entire operation, the cooperative may require such

contribution in aid of construction, such facilities extension deposit, such guarantee of minimum usage for a minimum term or such other reasonable commitment on the part of the person to be served as may be necessary and appropriate to remove such jeopardy, but no difference in standard rates for use of service shall be imposed for such purpose.

The by-laws of a cooperative or its contracts with members and patrons shall contain such reasonable terms and conditions respecting membership, the furnishing of service and the disposition of revenues and receipts as may be necessary and appropriate to establish and maintain its non-profit, cooperative character and to ensure compliance with this section. No bona fide applicant for membership on non-member patronage who is able and willing to satisfy and abide by all such terms and conditions shall be denied arbitrarily, capriciously or without good cause. (Emphasis supplied)

Section 35 merely declares discriminatory practices regarding rate fixing and delivery of services as contrary to public policy. Arbitrary service disconnection per se is not a discriminatory practice unless it is alleged and established that the party prejudiced by the disconnection was purposely singled out or differentiated against. There is no allegation nor proof by the Spouses Quijano (respondents) that there was a purposeful discriminatory design by petitioners in depriving them of electric service. By no stretch of the imagination may Section 10 be construed to vest in the NEA jurisdiction to resolve claims for damages arising from arbitrary service disconnection.

Section 46 of P. D. No. 269 which provides:

*Section 46. Additional Regulation of Cooperatives by the NEA.* In addition to the other ways in which cooperatives are subject to regulation by the NEA as provided in this Decree, the NEA, on its own motion or upon complaint but only after affording opportunity for hearing to all interested parties, is empowered to and shall (1) require a cooperative to extend or improve service upon the NEA's determination that such should be done in furtherance of the purposes of this Decree and that such may reasonably be done without undue impairment of the feasibility of the cooperative's operation and financial condition; and (2) require a cooperative to cease and correct any practice or act which the NEA determines to be in violation of the provisions of Section 35, and in connection with such authority it may require a cooperative to file with the NEA, and to make accessible to any person upon request therefore, copies of all rates, charges, contract forms, fee or deposit schedules, by-laws, and service rules and regulations.

is also inapplicable. It empowers the NEA to compel electric cooperatives to "extend or improve service" in furtherance of the purposes of P.D. No. 269. There is nothing in this provision, however, granting the NEA authority to hold an electric cooperative liable for damages arising from its arbitrary disconnection of electrical services to a member or to order said electric cooperative to re-connect such services.

To recapitulate, while P.D. No. 269 appoints the NEA as overseer of electric cooperatives, its supervision is limited to matters concerning loans, rate fixing and service improvement, but does not include adjudication of claims for damages