

TWELFTH DIVISION

[CA-G.R. CV NO. 101176, November 27, 2014]

**NATIONAL GRID CORPORATION OF THE PHILIPPINES,
PLAINTIFF-APPELLANT, VS. DOMINGO HIDALGO, DEFENDANT-
APPELLEE.**

D E C I S I O N

DIMAAMPAO, J.:

Justice is the first virtue of social institutions. When the state wields its power of eminent domain, there arises a correlative obligation on its part to pay the owner of the expropriated property a just compensation.^[1]

This *principium* finds application in the instant *Appeal*.

Repugned in this *Appeal* is the *Order*^[2] dated 6 May 2013 of the Regional Trial Court, Fifth Judicial Region, Naga City, Branch 27, in Civil Case No. RTC 2011-0140, which declared defendant-appellee Domingo Hidalgo entitled to just compensation in the amount of P1,500.00 per square meter or a total amount of P1,518,000.00 for his property impinged by plaintiff-appellant's transmission line project. The *fallo* of the *Order* reads:

"WHEREFORE, the motion for reconsideration is PARTLY GRANTED. The Dispositive Portion of the assailed Decision dated March 7, 2013 is hereby modified as follows:

(1) Upholding plaintiff's right, NGCP, to exercise the power of eminent domain over the subject property for public use;

(2) Declaring the subject property denominated as Lot/Survey No. 3429-A covered by Field Appraisal and Assessment Sheet (FAAS) No. 97-006-00009 with an area of 1,012 square meters as condemned or expropriated, for the price of Pesos: One Thousand Five Hundred per square meter, or the total amount of Pesos: One Million Five Hundred Eighteen Thousand (P1,518,000.00) with six (6%) percent interest per annum, from the time of taking – 18 September 2012. until fully paid;

(3) Ordering the plaintiff NGCP to pay commissioners fee of Pesos: Five Thousand (P5,000.00) each to Asst. City Prosecutor Apollo M. Abonal, Alejandro V. Arabia, Jr., and Joey E. Teope.

SO ORDERED."^[3]

The *mise en scène* of the case unfurls as follows:

Defendant-appellee Domingo Hidalgo (Domingo) is the declared owner of a parcel of land with a total area of 1,241 sq. m. located in Capucnasan, Milaor, Camarines Sur described as Lot/Survey No. 3429-A.^[4] For the construction and maintenance of Luzon Substation Expansion Project 1, Naga Substation, plaintiff-appellant National Grid Corporation of the Philippines (National Grid) sought the acquisition of a portion of the said realty consisting of 1,012 sq. m.

National Grid is a private corporation which was granted a franchise to operate, manage and maintain the present nationwide transmission system of the Republic of the Philippines pursuant to Republic Act (R.A.) No. 9511. Under Section 4 of the same law, National Grid was granted the power of eminent domain, subject to the requirements of the Constitution and existing laws.

Eventually, a *Complaint for Expropriation*^[5] was lodged by National Grid averring, *inter alia*, that due to the increasing demand of electricity, there was a need to enhance the reliability and stability of power supply to the Luzon Grid, thereby necessitating the expansion of the existing Naga City sub-station. The said expansion would cause the realignment of the Naga City-Labo, Camarines Norte 230 KV Transmission Line. Thus, it must immediately construct additional transmission towers to be able to transmit power to the distributor of electricity, for the use and benefit of the public. This undertaking would be known as the Luzon Substation Expansion Project 1, Naga Substation.

Domingo interposed no objection to the right of National Grid to expropriate his property for public use. Thence, the parties agreed on a sole issue, *i.e.*, the determination of just compensation.

As it happened, the court *a quo* issued the corresponding *Writ of Possession*^[6] after the amount of P44,836.00 was deposited^[7] representing the full BIR zonal value of the property sought to be expropriated, plus the proffered value of the improvements. Accordingly, the court *a quo* appointed Commissioners to ascertain the fair market value of the property in question, namely: Prosecutor Apollo Abonal, as Chairman; Joey Teope; nominee of National Grid; and Alejandro Arabia, Jr., Domingo's nominee, as members.⁸ Ensuingly, the appointed Commissioners submitted their *Valuation Committee Report*,^[9] with the following recommendation —

**"The Fair Market Value
of Lot 3429-A-1, the Subject Property
to be Expropriated**

Using the foregoing findings, the Valuation Committee hereby arrives at the Fair Market Value of the subject expropriated lot, denominated as Lot 3429-A-1 with an area of ONE THOUSAND TWELVE SQUARE METERS (1,012 sq. ms.), as follows:

**ONE MILLION SIX HUNDRED EIGHTY NINE THOUSAND
SEVEN HUNDRED FIFTY PESOS (P1,689,750.00).**

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X X X

From the foregoing, therefore, the Valuation Committee respectfully concludes and hereby recommends to the Honorable Court that:

1. The property to be expropriated, which is denominated as Lot 3429-A-1, with an area of 1,012 square meters, is **actually used and entirety suited for RESIDENTIAL.**

2. The Fair Market Value of said RESIDENTIAL LOT, denominated as Lot 3429-A-1, subject of expropriation is **ONE MILLION SIX HUNDRED EIGHTY NINE THOUSAND SEVEN HUNDRED FIFTY PESOS (1,689,750.00)** inclusive of the cost of the disturbance to the residual or remaining two (2) separate, nonadjacent, triangular or irregularly shaped properties, denominated as Lot 3429-A-2 and Lot 3429-A-3."^[10]
(Emphases supplied)

Ploughing through the evidence on record, the court *a quo* rendered the impugned judgment upholding the public purpose for the expropriation of the subject property. Anent the issue of just compensation, the court *a quo* partly adopted the recommendations set forth in the *Valuation Committee Report* and awarded a just compensation in the amount of P1,500.00 per sq. m. or a total of P1,518,000. 00 with twelve percent (12%) interest instead of P1,689,750.00 as recommended by the Commissioners. The court *a quo* pro-nounced the amount to be just, equitable, fair and reasonable, ratiocinating in this wise—

"After carefully considering the Valuation Committee Report, specifically the factors that affect the price of the subject land in fixing the just compensation and the reasonable indices in arriving at the fair market value, this Court partly adopts the commissioners(') valuation contained in the report pegged at Pesos: One Thousand Five Hundred (P1,500.00) per square meter. The comprehensive report is well supported by evidence. The Court is convinced, by preponderance of evidence, that the above-mentioned valuation is correct. But the Court rejects the inclusion of the value of the two adjacent lots for the reason that these lots are not included in the property subject of this case and expropriation shall in no way affect the use of the said two lots. Hence, the two lots consisting of 229 square meters shall not be disturbed, and not included in this case.

WHEREFORE, Decision is hereby rendered as follows:

(1) Upholding plaintiff's right, NGCP, to exercise the power of eminent domain over the subject property for public use;

(2) Declaring the subject property denominated as Lot/Survey No. 3429-A covered by Field Appraisal and Assessment Sheet (FAAS) No. 97-006-

00009 with an area of 1,012 square meters as condemned or expropriated, for the price of Pesos: One Thousand Five Hundred per square meter, or the total amount of Pesos: **One Million Five Hundred Eighteen Thousand (P1,518,000.00) with 12% interest per annum, from the time of taking – 18 September 2012,** (Sheriff's final report, Record, p(p). 92-93) until fully paid;

(3) Ordering the plaintiff NGCP to pay commissioners fee of Pesos: Five Thousand (P5,000.00) each to Asst. City Prosecutor Apollo M. Abonal, Alejandro V. Arabia, Jr., and Joey E. Teope.

SO ORDERED."^[11] (Emphasis Ours)

Nonplussed, National Grid moved for reconsideration. In the impugned *Order*, the court *a quo* partly modified its previous *Order* by reducing the legal interest from 12% to six percent (6%), explicating—

"Anent the imposition of interest of twelve percent (12%) per annum, the contention of plaintiff that it should be fixed at 6% per annum reckoned from the time of taking of property is meritorious. The case of National Power Corporation vs(.) Heirs of Macabangkit Sangkay which was cited by defendant does not, in anyway discuss the reason of imposing 12% per annum as interest rate. The issue in said case is whether the court acted with grave abuse of discretion when it ordered the execution of its Decision and Supplemental Decision pending appeal. What applies is the ruling in the case of National Power Corp. vs(.) Angas, where the Supreme Court held that the interest due the property owner is at the rate of 6% per annum, prescribed in Art. 2209 of the Civil Code, and not 12% per annum under Central Bank Circular No. 416, because the latter applies to loans or forbearance of money, goods or credits, or judgments involving such loans or forbearance of money, goods or credits. The kind of interest involved here is by way of damages, hence, Art. 2209 of the Civil Code applies.

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WHEREFORE, the motion for reconsideration is PARTLY GRANTED. The Dispositive Portion of the assailed Decision dated March 7, 2013 is hereby modified as follows:

1) Upholding plaintiff's right, NGCP, to exercise the power of eminent domain over the subject property for public use;

2) Declaring the subject property denominated as Lot/Survey No. 3-429-A covered by Field Appraisal and Assessment Sheet (FAAS) No. 97-006-00009 with an area of 1,012 square meters as condemned or expropriated, for the price of Pesos: One Thousand Five Hundred per square meter, or the total amount of Pesos: One Million Five Hundred Eighteen Thousand (P1,518,000.00) with six (6%) percent interest per annum, from the time of taking – 18 September 2012, until fully paid;