



# The Bigger Picture

This Accomplishment Report recounts the successes of the Metropolitan Waterworks and Sewerage System (MWSS) Regulatory Office in 2014 as it braved new challenges within the regulatory environment, while performing its functions as regulator of the privatized water and sewerage systems for Metro Manila and its neighboring towns. Carrying the theme The Bigger Picture, it focuses on the broader perspective: the Regulatory Office's role in providing safe, potable and affordable water and environment-friendly sewerage system to the public.

As a sign of our commitment to delivering equitable and reasonable rates to the public, the report begins with a special section on the 2013 Rate Rebasing Exercise and the resulting arbitration cases that dominated the conversation in 2014. Responding to the challenges brought about by arbitration, the year saw the Regulatory Office assume a firm stance against its two Concessionaires as it defended its decision to recommend a decrease in tariff rates and lower water charges. Though the year ended without a clear resolution on these cases, it was evident that the Regulatory Office remained resolute in adhering to the Concession Agreement and defending what it believed was a just rebased rate for all stakeholders.

To give a comprehensive account of our accomplishments during the past year, the report consists of five activity sections, each covering one of the five divisions under the Regulatory Office. Beginning with the Office of the Chief Regulator and proceeding with the four regulation areas, namely Technical, Customer Service, Financial, and Administration and Legal Affairs, each section highlights not only the activities accomplished by each area, but also how these activities helped the Regulatory Office respond to new challenges and achieve its mission and vision through effective regulation.

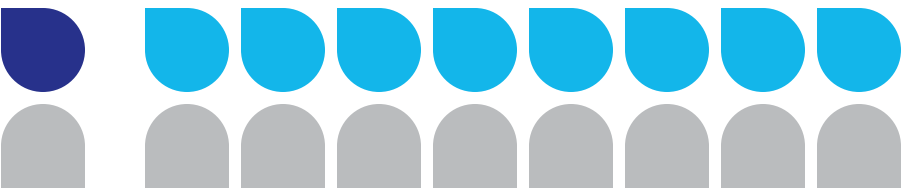
Using a metaphor to paint the bigger picture, a visual language of shapes and water droplets was formed to highlight the accomplishments of the Regulatory Office and how the challenges over the past year paved the way towards better regulatory clarity and a stronger and more decisive organization. The cover features water droplets that look like random details up close, but reveals the image of a body of water, the La Mesa Dam, when viewed from afar.

# Accomplishments at a glance

## Office of the Chief Regulator

2,735

consumers engaged in public dialogues and consultations



## Administration and Legal Affairs

22  
Training  
Programs

conducted for 94.83% of personnel

PHP 35,538,000

savings in delivering quality regulatory services to the public



## Customer Service Regulation Area



141

customer complaints and disputes settled

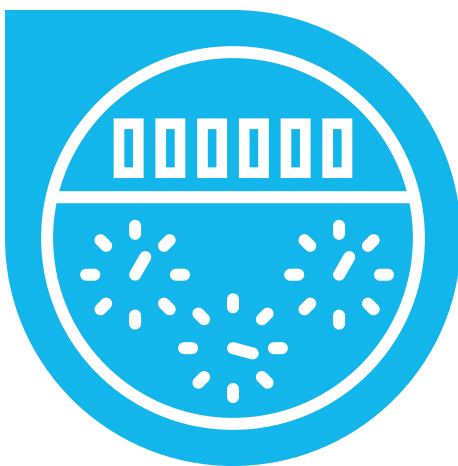
13

water meter tests monitored to ensure customers are billed accurately

12

site inspections and field investigations conducted on customer issues

## Financial Regulation Area



Rate  
Rebasing  
Review

conducted a financial audit on the 2013 Rate Rebasing Exercise for transparent and accountable regulation

## Technical Regulation Area

7,867 100

water quality tests conducted

benchmark customers monitored

66  
Major  
Facilities  
Inspected

52  
Wastewater  
Facilities  
Monitored

99.49%

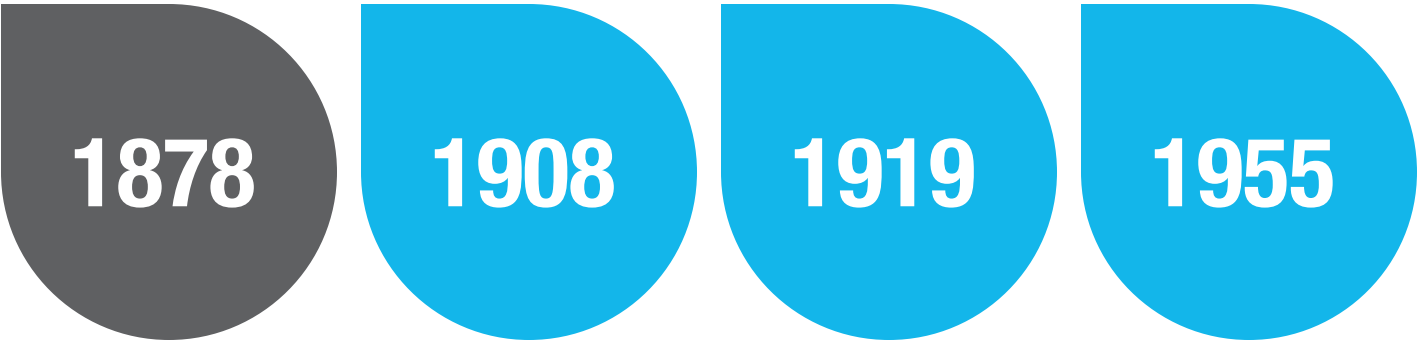
water quality compliance in supply zones

99.35%

overall water quality compliance at water treatment works and supply zones



# A few historical highlights



## Carriedo Water Works

Construction began on the first water system in the country, the Carriedo Waterworks, delivering 16 million liters of water per day to 300,000 people in old Manila.

## Manila Water Supply System

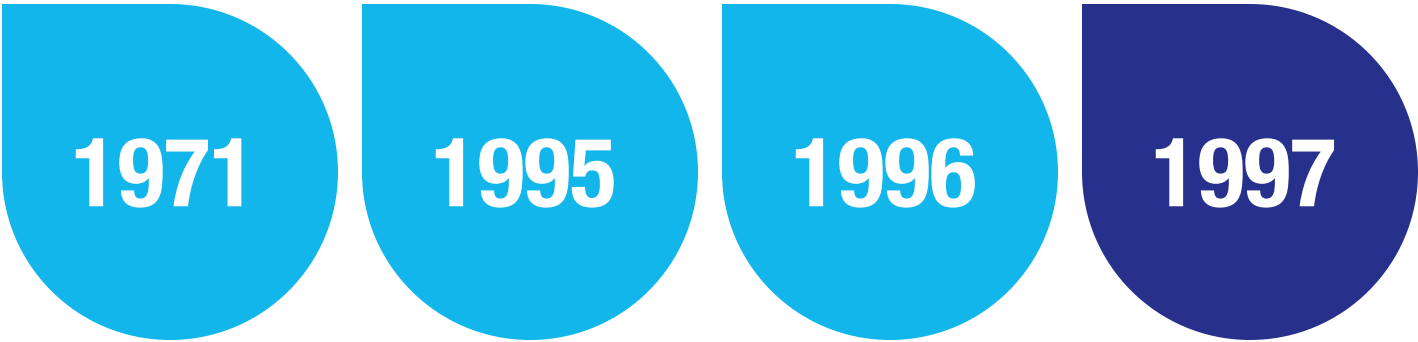
Carriedo Waterworks evolved into the Manila Water Supply System. Additional pumping facilities and a new water supply system is also built over the Marikina River, increasing water capacity to 92 million liters of water per day.

## Metropolitan Water District

Water supply stabilized and water coverage expanded to the 14 neighboring cities and municipalities of Manila with the creation of the Metropolitan Water District.

## National Waterworks and Sewerage Authority (NAWASA)

Nationwide coverage is realized through the National Waterworks and Sewerage Authority (NAWASA).



## Metropolitan Waterworks and Sewerage System (MWSS)

The Metropolitan Waterworks and Sewerage System (MWSS) was created, replacing NAWASA and transforming the water supply system from its national coverage back to supplying water to Metro Manila and neighboring towns.

## Water Crisis

With a looming water crisis, Republic Act No. 8041, otherwise known as the National Water Crisis Act of 1995, created a legal basis for privatization and authorized the President to reorganize MWSS into a more effective and innovative organization.

Executive Order No. 286 approved the reorganization of MWSS and prepared the groundwork for eventual privatization.

## Private Sector Participation

Executive Order No. 311 encouraged the private sector's participation in the operation and facilities of MWSS.

## MWSS Regulatory Office (MWSS-RO)

On its 120th year, MWSS was privatized, splitting its jurisdiction into two water zones, the west zone to be serviced by Maynilad Water Services, Inc. and the east zone to be serviced by the Manila Water Company, Inc.

By virtue of the Concession Agreements, the MWSS Regulatory Office was created in August 1997.

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## Message from the Chairman

The disciplined manner of the Regulatory Office in solving emerging issues to balance the interests of the government, the Concessionaires and other stakeholders proved very exciting and productively challenging, indeed.

On behalf of the Board of Trustees, I wish to assure the Regulatory Office of the Board's full confidence in the ability of your management team and staff to deliver the objectives of your mandate and to extend our appreciation for putting your best effort into the realization of your vision and mission.

The year 2014 saw a change in leadership amidst the crucial reforms and good governance issues that surrounded the regulatory environment. The Regulatory Office leadership, headed then by Atty. Emmanuel Caparas and now by Dr. Joel Yu, steered the organization in overcoming humps as it dealt with the challenges towards regulatory clarity. The year was characterized by an honest desire to set things right. The Regulatory Office's disciplined manner in solving emerging issues to balance the interests of the government, the Concessionaires and other stakeholders proved very exciting and productively challenging, indeed.

2014 was also the year that consolidated the partnership between the Corporate Office and the Regulatory Office. Together, we dedicated significant resources to transform ourselves into a reformed organization. I have firsthand experience on this, and I am confident that we will continue our journey successfully. No role is too small to play in the multidimensional process we employ in performing our responsibilities as enshrined in the Concession Agreement, whether it be in monitoring water service metrics, determining rate calculations, evaluating the CAPEX accomplishments of the Concessionaires, or just getting water samples.

Please know that we at the Corporate Office are working hard to clear up our legacy issues, which have direct value on the measurable service improvements in the concession areas. We will continue the programs and projects we have initiated because we firmly believe that the customers should enjoy the benefits of a vibrant and more customer friendly policy environment. On behalf of the Corporate Office, I want to congratulate you on your corporate dynamism that is testament to a stronger, more efficient and better-run regulatory institution.

Arch. Gerardo A.I. Esquivel  
Chairman, MWSS Board of Trustees  
Administrator, MWSS Corporate Office



# Board of Trustees

## Mr. Benjamin J. Yambao

Mr. Yambao is a certified public accountant and professional banker who has held a key position at the Bangko Sentral ng Pilipinas and served as President of the Manila Banking Corporation and the Chamber of Thrift Banks.

## Helena Agnes S. Valderrama, Ph.D.

Dr. Valderrama is a professor of the Cesar E. A. Virata School of Business of the University of the Philippines (UP) Diliman. She earned her Master's Degree in Technology Policy and Management from the University of Wollongong, New South Wales, Australia, and her Ph.D. in Business Administration from UP.

## Atty. Emmanuel L. Caparas

Graduating at the top rung of the UP Law Class of 1985, Atty. Caparas was a research attorney in the 1986 Philippine Constitutional Commission. He put his law practice on hold to build a successful IT business before serving as Head of the Supreme Court's Management Information Systems Office and as Chair of the Court Technology Department of the Philippine Judicial Academy.

## Ma. Cecilia G. Soriano, Ph.D.

A Finance Undersecretary during the Ramos Administration, Dr. Soriano was seconded to the World Bank and conducted studies on the water industry for the World Bank, the Asian Development Bank (ADB), the Australian Agency for International Development (AusAID), and the United States Agency for International Development (USAID). She has a Ph.D. in Economics from the University of California, Berkeley.

## Arch. Gerardo A. I. Esquivel, Chairman

Arch. Esquivel already owned a successful construction business before he was persuaded to join public service and help run MWSS. An Architecture graduate from UP, he is currently the Administrator of MWSS and serves as the acting Chairman of the Board of Trustees.

## Atty. Raoul C. Creencia

The current Government Corporate Counsel, Atty. Creencia was already an accomplished private lawyer for over 14 years before entering government service in 2010. Upon his appointment to the Office of the Government Corporate Counsel, he immediately embarked on a back to basics approach guided by his ABC Formula of Able Lawyers, Better Service and Clearer Rules.

## Fr. Jose Ramon T. Villarin, SJ\*\*

President of the Ateneo de Manila University and an international expert on climate change, Fr. Jett, as he is more commonly known, was part of the Intergovernmental Panel on Climate Change, a team of scientists who won the 2007 Nobel Peace Prize together with former US Vice President Al Gore. He has a Ph.D. on Atmospheric Sciences from the Georgia Institute of Technology.

\* Pictured From left to right.

\*\* Not in the photo





## Message from the Chief Regulator

We mark 2014 as the year when our resolve to promote public interest was tested when both Maynilad and Manila Water questioned our Rate Rebasing exercise.

My stint at the Regulatory Office has been one of my life's most significant chapters. As Chief Regulator, I saw up close how vital water is to every person; how it permeates every aspect of society.

When the new administration took over, we realized that we had to put in measures so that the enterprise that was entrusted to us would continue to be true and relevant to our avowed vision of a safe, adequate, affordable, and reliable water supply, and an environment-friendly sewerage system. Everyone in the company gathered together to promote the common good.

We mark 2014 as the year when our resolve to promote public interest was tested when both Maynilad and Manila Water questioned our Rate Rebasing exercise. I have no doubt that once that controversy is over, all parties will eventually get their due and everyone will be the better for it.

The year 2014 also paved the way for a change in leadership at the Regulatory Office. Allow me to thank all the employees of the Regulatory Office, the Corporate Office, and the MWSS Board of Trustees for their unequivocal commitment and support. Their integrity and professionalism did not falter. I would also like to extend my gratitude to all our stakeholders for the unwavering trust that they invested in me. It has been an honor working with all of them.

I was happy to turn over the reins of the company to my colleague, Dr. Joel Yu, a man of competence and integrity. I knew he could lead everyone closer to the company's vision. From the pages of this Accomplishment Report, I could easily see that my trust in the man is justified.

Congratulations, everyone, for a job well done.

Atty. Emmanuel L. Caparas  
Chief Regulator, MWSS Regulatory Office  
November 2012 to June 2014





## Message from the Chief Regulator

The Regulatory Office will go on to greater heights towards strengthening the Concession Agreement and promoting stability in the conduct of its regulatory mandates.

It has been an eventful year. While keeping abreast of the times, the Regulatory Office has gone through several changes. And from the time I assumed office in July this year, the institution has stepped up to assume more responsibilities, while continuing to serve a growing customer base.

One cannot gainsay that the achievements of the Regulatory Office are only as good as our accomplishments in the four regulation areas—Technical, Customer Service, Financial, and Administration and Legal Affairs. In this regard, I have been fortunate in having competent regulators who share in the thought that every challenge can be seen as an opportunity for growth.

Through the Concession Agreements, the Regulatory Office has been tasked to oversee the operations of the Concessionaires and protect the interests of all stakeholders. We achieve this by monitoring rates and service standards, auditing the performance of Concessionaires, and inspecting physical assets. Our goal is to improve public confidence, encourage accountability and transparency, and strengthen the privatized water and sewerage systems.

As a result of the Rate Rebasing exercise conducted by the Regulatory Office in 2013, both Concessionaires filed dispute notices, as allowed in the Concession Agreement. Since then, the cases have ripened into full-blown arbitration proceedings under the rules of the United Nations Commission on International Trade Law. Despite the ongoing disputes, there has been no change in the efficient delivery of water and wastewater services to the public. Moreover, the arbitration proceedings served as an impetus to strengthen the delivery of regulatory functions.

I am more certain that because of our ability to withstand the challenges of the past year, the Regulatory Office will go on to greater heights towards strengthening the Concession Agreement and promoting stability in the conduct of its regulatory mandates. I also take this opportunity to thank our Board of Trustees, the Regulatory Office as well as the Corporate Office employees, and our stakeholders. My wish is that we may never lose sight of the bigger picture and of the undertaking entrusted to us as public servants.

Joel C. Yu, Ph.D  
Chief Regulator, MWSS Regulatory Office  
July 2014 to present

# Regulators

Atty. Emmanuel L. Caparas, Chief Regulator (November 2012 to June 2014)  
Joel C. Yu, Ph.D., Chief Regulator (July 2014 to present)\*\*  
Engr. Gerardo A. Sullano, Deputy Administrator for Technical Regulation Area (November 2012 to present)\*\*  
Atty. Vincent Pepito F. Yambao, Jr., Deputy Administrator for Customer Service Regulation Area (December 2012 to present)\*\*  
Atty. Estrella T. Decena-Zaldivar, Deputy Administrator for Administration and Legal Affairs (October 2005 to October 2014)\*\*  
Atty. Mylene Joy S. Parras, Deputy Administrator for Administration and Legal Affairs (October 2014 to present)\*\*

\* Pictured from left to right  
\*\* Not in the photo



# Managers

Atty. Kristin C. San Pedro, Public Information Department, Office of the Chief Regulator  
Engr. Randolph Q. Marcial, Metering Efficiency Department, Customer Service Regulation Area  
Atty. Mylene Joy S. Parras, Legal Department, Administration and Legal Affairs Area  
Engr. Rosendo O. Alegre, Complaints Services Monitoring Department, Customer Service Regulation Area  
Ms. Virginia V. Octa, Administration Department, Administration and Legal Affairs Area  
Mr. Christopher D. Chuegan, Tariff Control and Monitoring Department, Financial Regulation Area  
Mr. Guillermo O. Mendoza, Jr., Financial Audit and Asset Monitoring Department, Financial Regulation Area  
Engr. Evelyn B. Agustin, Water Quality Control Department, Technical Regulation Area\*\*  
Engr. Joel A. Dominguez, Operations Monitoring Department, Technical Regulation Area\*\*

\* Pictured from left to right  
\*\* Not in the photo



# Balancing Consumer Welfare and Financial Resilience

## Rate Rebasing Exercise

The Regulatory Office is mandated to conduct a Rate Rebasing exercise every five years pursuant to the Concession Agreement. In Rate Rebasing, the Regulatory Office is tasked to determine an appropriate level of tariff that will permit the Concessionaires to recover their past expenditures (represented by the Opening Cash Position or OCP), net future expenditures, and the cost of money, on the one hand, from projected future receipts applying the new rates, on the other hand. This is done by calculating the “Net Present Value” of OCP and Future Cash Flows as of 30 June 2013. The rate adjustment of “R” is then derived by dividing the future receipts (from the rate) by the future billed volume.

This formula entails a number of major tasks which include, among others: an evaluation of the Concessionaires’ Business Plans; an examination of each Concessionaire’s cash position, expenditures, revenues and receipts; a determination of the Appropriate Discount Rate; an assessment of the past and future service obligation targets; and an evaluation of future capital and operating expenditures.

The Regulatory Office initiated necessary steps in preparation for the third Rate Rebasing. In February 2010, the Regulatory Office engaged the services of Test Consultants, Inc., in joint venture with Schema Konsult, Inc., to conduct a Technical Audit and Evaluation of the Concessionaires’ CAPEX programs and projects. An interim financial audit was then conducted in 2011 by the Regulatory Office, through its Financial Regulatory Area, to look into the Concessionaires’ books of accounts and other business records and evaluate their claimed operating expenses (OPEX), among other things.

During the entire Rate Rebasing process, the Regulatory Office adhered to the Concession Agreement and applicable provisions of laws. It engaged the Concessionaires in numerous discussions and evaluation of their documents. The Regulatory Office interacted and consulted the public as well as private sector groups and entities to assure them transparency of the process.

In view of certain findings in the interim audit conducted by the Regulatory Office’s Financial Regulation Area in 2011, the Regulatory Office resolved to conduct a more thorough examination of the Concessionaires’ past expenditures for the third Rate Rebasing exercise. Thus, compared to the limited review of transaction listings that had been done previously, the Regulatory Office conducted a proper regulatory audit – i.e.,technical and financial audits that entail a comprehensive review of each Concessionaire’s Business Plan and detailed examinations of actual source documents, such as vouchers and receipts – before expenditures were either allowed or disallowed.

## Rate Rebasing Comparison

### Financial Audit

#### 1st Rate Rebasing (2002)

- 1. Table audit of documents—reconciled Manila Water’s OCP submissions with audited financial statements.
- 2. Ensured exclusion of items specifically disallowed by the CA.
- 3. Adopted Key Performance Indicators (KPIs) and Business Efficiency Measures (BEMs) as standards for determining prudence and efficiency of expenditures.

#### 2nd Rate Rebasing (2007)

- 1. Table audit of documents—reconciled Manila Water’s OCP submissions with audited financial statements.
- 2. Ensured exclusion of items specifically disallowed by the CA.
- 3. Adopted additional KPIs and BEMs.

#### 3rd Rate Rebasing (2013)

- 1. Adopted the 3-fold test (relationship test; allowable expense test; and prudence and efficiency test).
- 2. Examined actual source documents such as vouchers and receipts.
- 3. Reviewed all historical transactions.
- 4. Reviewed performance using KPIs and BEMs, rewards and penalty system.

### Technical Audit

#### 1st Rate Rebasing (2002)

- 1. Compared the expenditures and standard unit prices of the Concessionaires with Consultants’ derived unit costs.
- 2. Determined prudence and efficiency of expenditures by comparing with forecasts.

#### 2nd Rate Rebasing (2007)

- 1. Compared the expenditures and standard unit prices of the Concessionaires with Consultants’ derived unit costs.
- 2. Determined prudence and efficiency of expenditures by comparing with forecasts.
- 3. Reviewed performance using KPIs and BEMs, rewards and penalty system.

#### 3rd Rate Rebasing (2013)

- 1. Adopted the 3-fold test (relationship test; allowable expense test; and prudence and efficiency test).
- 2. Compared the expenditures and standard unit prices of the Concessionaires with Consultants’ derived unit costs.
- 3. Reviewed performance using KPIs and BEMs, rewards and penalty system.
- 4. Adopted the modified Use and Useful Test (20-20 Rule) for evaluation of projects.

## Public Consultations

As part of the third Rate Rebasing, the Regulatory Office conducted a two-step flow public consultation. The first flow was completed in February 2013. It was dedicated to solicit recommendations and comments of consumers as part of the inputs to draft 2013 to 2017 Business and Investment Plan. The Regulatory Office together with Maynilad paid a visit to 10 cities, namely, Quezon, Las Piñas, Parañaque, Makati, Navotas, Caloocan, Manila, Malabon, Valenzuela and Imus, Cavite.

The second flow was undertaken on 11, 13 and 14 June 2013 at the Philippine Trade and Training Center in Pasay City, Seameo-Innotech in Quezon City and Victory Mall in Antipolo City.

Among the issues discussed during the public consultation are sewerage and water sanitation, OPEX, water tariff per cubic meter, additional water meter and pressure, water rate classification, 24-hour water supply, annual performance audit of Manila Water and Maynilad, Rate of Return Base, pipe laying and water connection, water quality, pressure and connection, difference in water tariff between Maynilad and Manila Water, publication schedule of indicative water tariff, OCP, illegal water connection, road restoration bulk water selling with IRRs, proposed water tariff adjustment and on-going and future projects of the two Concessionaires with corresponding proposed investment for the succeeding five years.

The Regulatory Office, while subscribing to the Rate Rebasing framework, considered the paramount concern of the whole process and practised complete adherence to the Concession Agreement and applicable laws, balancing reasonable tariff for consumers against fair returns for concessionaire, observing transparency, and performing policy reviews, clarifications, and enhancement during the rate rebasing process.

## Rate Rebasing Results

On 12 September 2013, the Regulatory Office announced a downward adjustment in the average basic water charges, effectively denying the petition of its two Concessionaires to raise average water rates in the next five years as part of the Regulatory Office’s third Rate Rebasing exercises.

The reductions in water rates were due to disallowances for operating and capital expenditures. Substantial disallowances were effected for unsubstantiated expenses, unliquidated cash advances, infrastructure projects, unjustified variation orders, capitalized interest, among others. OPEX Accounts with major disallowances include salaries and benefits in excess of benchmarks, advertising expenses not directly related to Concession operations, unnecessary management and technical fees, donations and sponsorships not related to Concession operations and business meetings and representation expenses not related to Concession service operations, or in excess of paid allowances.

On 12 September 2013, the MWSS Board of Trustees signed two (2) separate resolutions on the Rate Rebasing Determination of both Concessionaires, Resolution No. 2013-100-RO for Maynilad and Resolution No. 2013-101-RO for Manila Water. MWSS approved and ordered a negative adjustment in the average basic charges being implemented by the two Concessionaires.

The Board of Trustees gave its nod to a negative adjustment of 29.47 % of the 2012 average basic water charge of PHP 24.57 per cubic meter of Manila Water. The adjustment will be implemented in five equal tranches of negative 5.894 % per charging year. Manila Water proposed a basic rate increase of PHP 5.83 cubic meter.

Likewise, the Board approved a negative adjustment of 4.82 % of Maynilad’s 2012 average basic water charge of PHP 30.28 per cubic meter. The adjustment will be implemented in five equal tranches of negative 0.964% per charging year. This is the first time since the privatization of water services in 1997 that rates were ordered reduced. The past two Rate Rebasing exercises resulted in increases in water rates. For Manila Water, records show that from 1997 to 2012, water rates in the East Zone increased more than eightfold, from PHP 4.02 per cubic meter in 1997, all in tariff rose to PHP 38.12 per cubic meter at the end of 2012. This amounts to an average of 16.2% increase each year for the last 15 years.

## Impact on Water Rates

### Maynilad

Component	OCP in PHP	ADR in %	Future CAPEX in PHP	Water Rate in PHP per cubic meter
Regulatory Office Rate Rebasing Determination September 2013*	(60,200,000,000)	7.35	226,300,000,000	(1.46)
Original Submissions from Maynilad March 2012 and September 2012**	82,900,000,000 74,100,000,000	8.94	269,500,000,000	7.41 10.31
Revised Submission from Maynilad May 2013**	67,200,000,000	8.94	—	8.58

\* ADR excluding tax as expenditure  
\*\* ADR Including tax as expenditure

### Manila Water

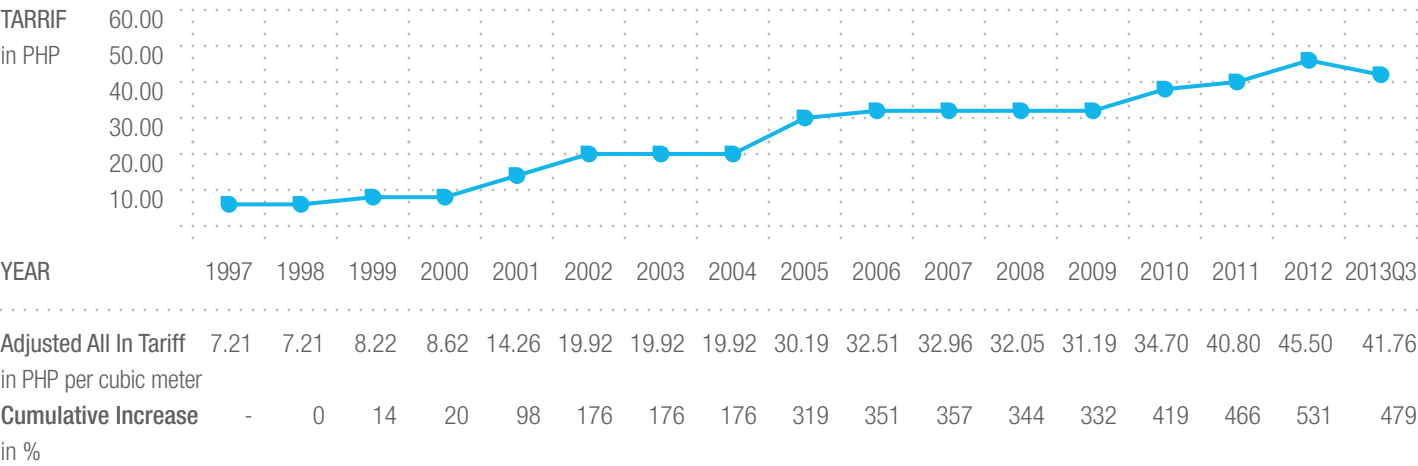
Component	OCP in PHP	ADR in %	Future CAPEX in PHP	Water Rate in PHP per cubic meter
Regulatory Office Rate Rebasing Determination September 2013*	(17,200,000,000)	7.35	112,100,000,000	(7.24)
Original Submission from Manila Water March 2012**	(41,100,000,000)	8.94	216,400,000,000	5.83

\* ADR excluding tax as expenditure  
\*\* ADR Including tax as expenditure

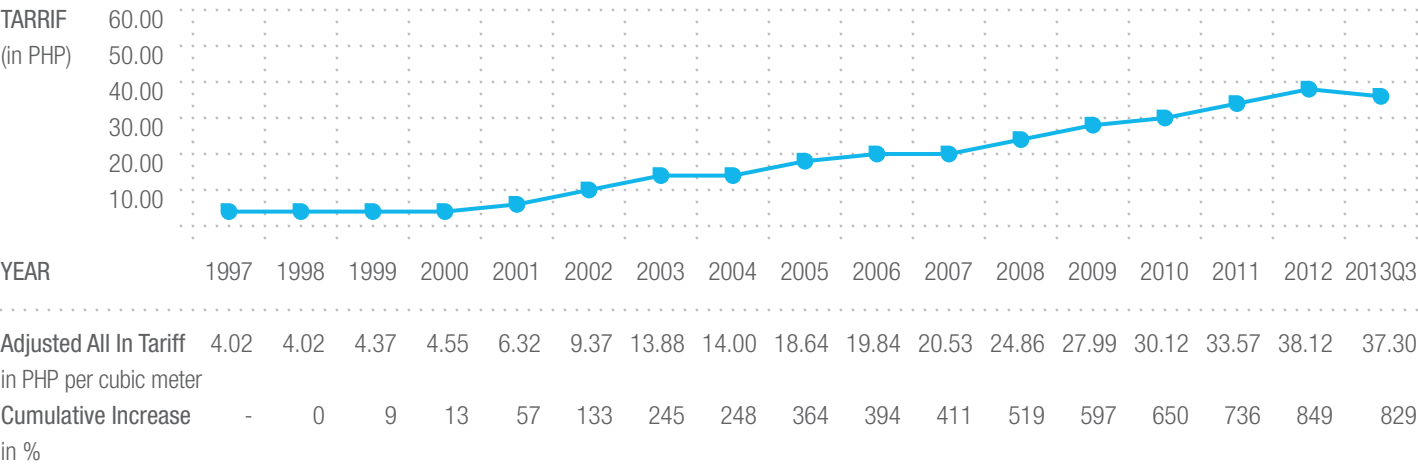


All In Tariff History

Maynilad



Manila Water



Arbitration with Concessionaires

The Concessionaires challenged the rates determined by the Regulatory Office by filing their respective Dispute Notices pursuant to Article 12.4 of the Concession Agreement. Manila Water filed its dispute notice on 24 September 2013, while Maynilad filed on 4 October 2013, officially commencing the arbitration process for both.

The prevailingwater rates thencontinued to apply until final decision was reached by an arbitration panel composed of a member appointed by Concessionaires, a member appointed by MWSS, and a third member, the appeals chairman or presiding arbitrator, appointed by the International Chamber of Commerce.

The arbitration panel conducted proceedings in accordance with the arbitration rules of the United Nations Commission on International Trade Law.

Maynilad Arbitration Dispute Issues

- 1. Unauthorized disallowance of Corporate Income Tax.
- 2. Incorrect estimate of the Appropriate Discount Rate for Future Cash Flows.
- 3. Unauthorized adjustments to the Opening Cash Position set during the last Rate Rebasing.
- 4. Improper addition of Guaranty Deposits to Maynilad's Historical and Future Receipts.
- 5. Unreasonable and improper disallowances in Other Expenditures in the Opening Cash Position.
- 6. Unreasonable and improper adjustments to Other Expenditures in the Future Cash Flows.

Manila Water Arbitration Dispute Issues

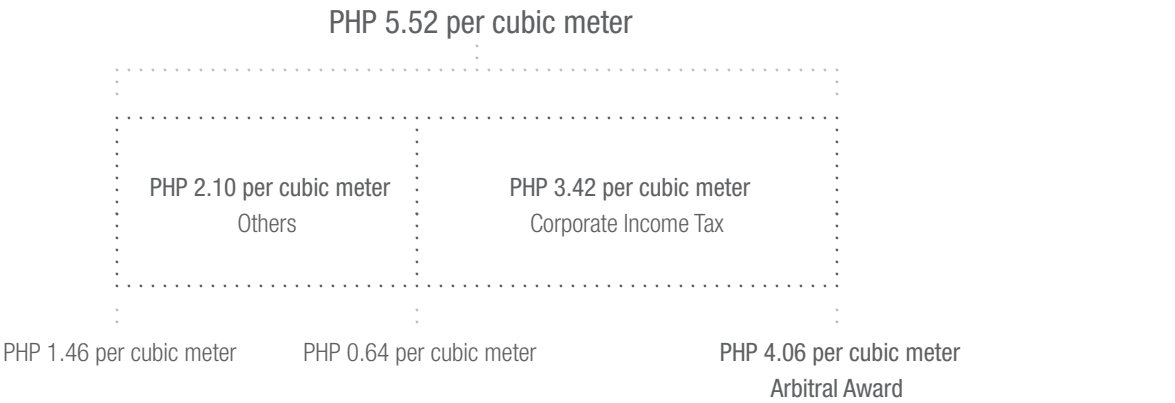
- 1. The Regulatory Office erred in its computation of Past Cash Flows, particularly in its treatment of Guaranty Deposits and in disallowing certain items from Manila Water's past OPEX and CAPEX
- 2. The Regulatory Office erred in its computation of Future Cash Flows, particularly on Receipts; Disallowed OPEX (in excluding therefrom Corporate Income Tax) and Disallowed CAPEX
- 3. The Regulatory Office erred in its computation of the Appropriate Discount Rate.
- 4. The implementation of the Regulatory Office's proposed Rate Rebasing Determination unduly impairs Manila Water's financial standing and would cause a negative impact on its ability to meet its future obligation targets.

In both arbitration, the issue was limited to the recoverability of the Concessionaires' Corporate Income Tax. In the arbitration with Manila Water, the Parties resolved all other issues. In contrast, in the arbitration with Maynilad, the Parties did not resolve all other issues; the Appeals Panel applied the pendulum nature of arbitration from Section 12.4 (iii) of the Concession Agreement:

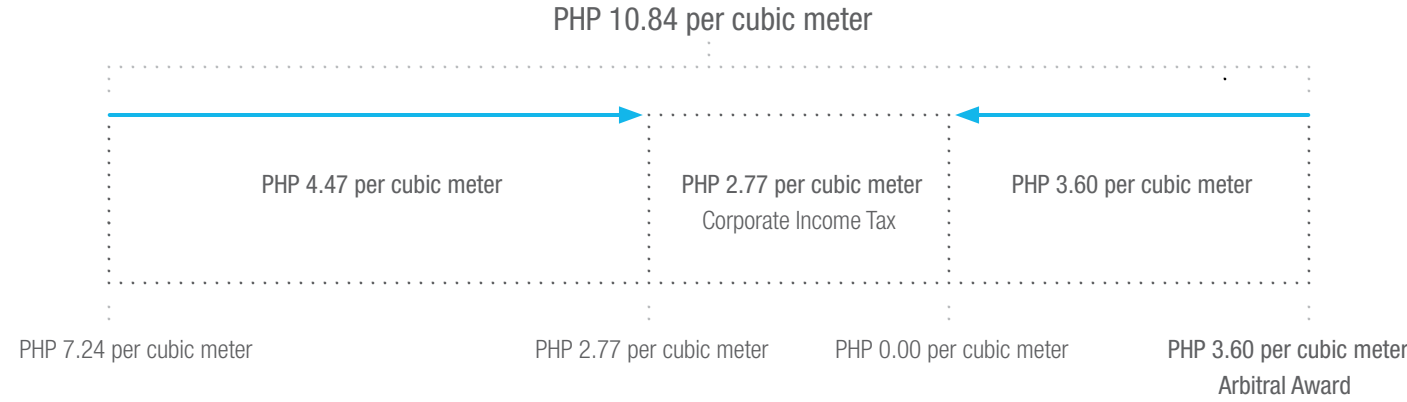
“ The Appeals Panel shall... accept either the Rate Rebasing Adjustment as determined by the Regulatory Office or the alternative Rate Rebasing Adjustment proposed by the Concessionaires.”

Composition of Rate Determinations

Maynilad



Manila Water



Arbitral Award

The following figures summarize the rate determination of MWSS, the alternative rate adjustment of the Concessionaires, and the composition of their respective differences, i.e., Corporate Income Tax and other disputed issues.

Maynilad Tariff Adjustment	
(in PHP per cubic meter)	
MWSS Determination	(1.46)
Alternative Rate Adjustment	4.06
Difference	5.52

Manila Water Tariff Adjustment	
(in PHP per cubic meter)	
MWSS Determination	(7.24)
Alternative Rate Adjustment	3.60
Difference	10.84

MWSS Board of Trustees Resolution 2013-100-RO and 2013-101-RO.  
Dispute Notice UNC136/CYK: Manila Water Company, Inc. v. MWSS and the Regulatory Office.  
Dispute Notice UNC141/CYK: Maynilad Water Services, Inc. v. MWSS and the Regulatory Office.

On 29 December 2014, the Appeals Panel in the Maynilad arbitration rendered its decision that Corporate Income Tax can be recovered by the Concessionaire: Maynilad “is entitled to include its Corporate Income Tax in its Future Cash Flows for each year of operations.” The Appeals Panel approved an increase of PHP4.06 per cu.m. or 13.41% of the 2012 average basic charge of PHP30.28 per cu.m.

The Appeals Panel found that “Maynilad is not a public utility itself, but only the agent and contractor of MWSS. As a necessary consequence thereof, the Majority (of the Appeals Panel) finds that the Meralco ruling and the 1985 State Audit Manual, both of which can only be applied to public utilities, are not applicable” to Maynilad.

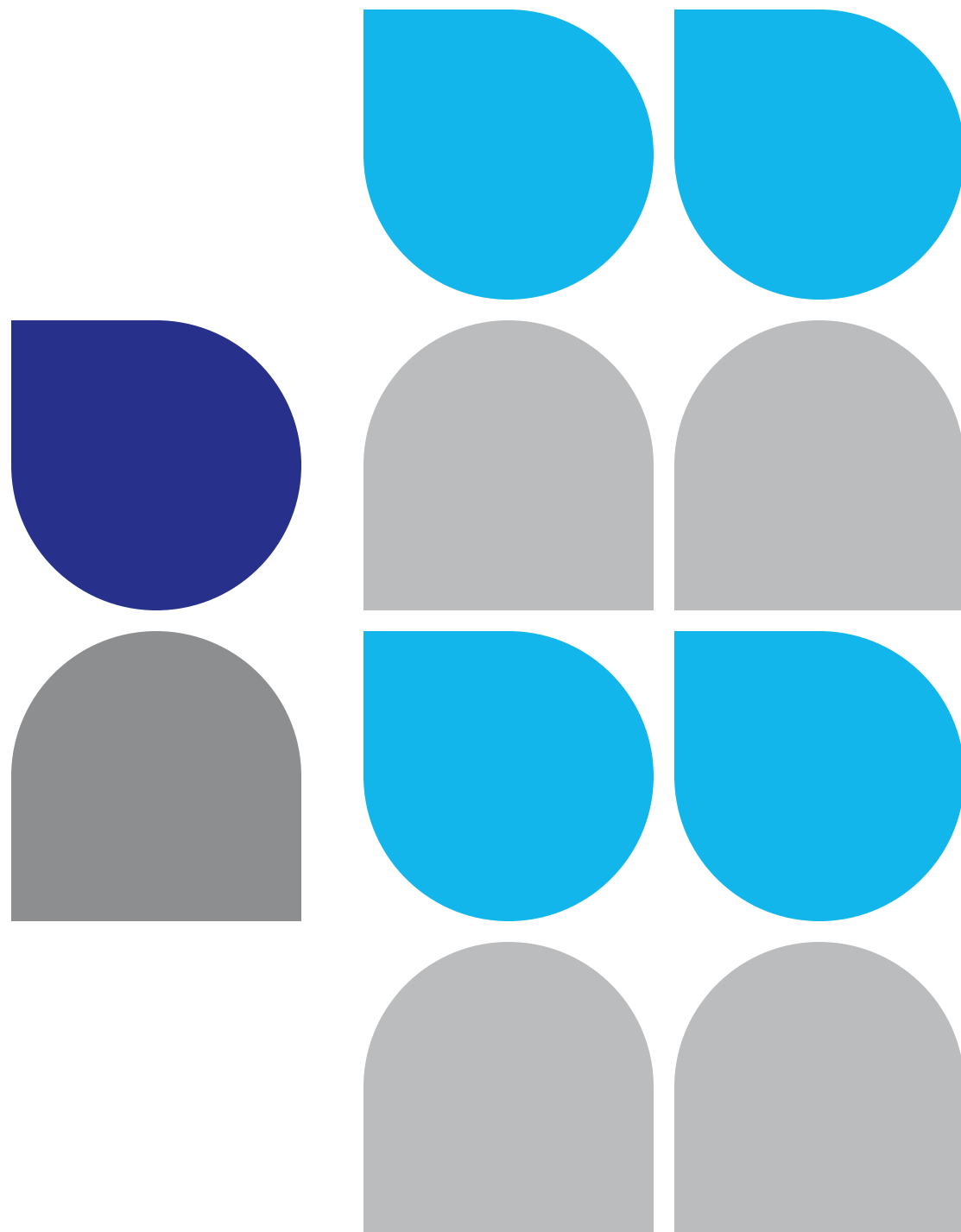
Arbitral Award for the Maynilad Arbitration

“ By majority, finds that the Claimants is entitled to include its Corporate Income Tax in its Future Cash Flows for each year of operations.”

Rate Adjustment of PHP 4.06 per cubic meter

“ By majority, upholds Claimant’s alternative Rebasing Adjustment for the Fourth Rate Rebasing Period of 13.41%, which means an average basic water charge of PHP 30.28 per cubic meter, resulting in an adjusted rate of PHP 34.34 per cubic meter for every Charging Year of the Fourth Rate Rebasing Period.”

Final Award UNC141/CYK: Maynilad Water Services, Inc. v. MWSS and the Regulatory Office.



## Office of the Chief Regulator Delivering Better Regulation

The Office of the Chief Regulator takes a leadership role in delivering better regulation to the public by practicing openness and transparency, encouraging accountability and compliance from the Concessionaires, and informing and engaging stakeholders.

The leadership of the Office of the Chief Regulator and, consequently, the Regulatory Office, changed hands with the mid-year appointment of a new Chief Regulator, Dr. Joel C. Yu. As Chief Regulator, he oversaw the successful operations of its four Regulation Areas, Technical, Customer Service, Financial, and Administration and Legal Affairs. Under his leadership, performance and productivity of the Regulatory Office saw significant improvements.

Under its Public Information Department, the Office of the Chief Regulator engaged more barangays to improve public awareness of water-related issues through community-building initiatives and information dissemination campaigns. The Department also issued regular press releases and conducted press conferences to keep all stakeholders informed of the developments within the Regulatory Office and in the water and sewerage industries.

Other notable accomplishments include the successful migration of the Regulatory Office website to the more secure and reliable hosting services of the Department of Science and Technology and compliance with government procurement procedures.



## New Chief Regulator

In July, Dr. Joel C. Yu officially assumed his post as the new Chief Regulator. The appointment was received positively by employees and stakeholders who welcomed Dr. Yu as he led the Regulatory Office in confronting new regulatory challenges, especially in light of the ongoing arbitration cases filed by the Concessionaires against MWSS and the Regulatory Office.

An associate professor of the Cesar E. A. Virata School of Business of the University of the Philippines in Diliman, Dr. Yu's appointment was approved by the Board of Trustees through Resolution No. 2014-054-RO, pursuant to the authority vested on them under Article II of the MWSS By-Laws and Article XI of the Concession Agreement.

## Other Activities

**Migration to the New Server.** The Regulatory Office successfully migrated its website to the more secure and reliable hosting services offered by the Government Website Hosting Service operated by the Department of Science and Technology-Information and Communications Technology Office (DOST-ICTO). Upon migration, the Regulatory Office was given its own .gov.ph domain, ro.mwss.gov.ph.

The website migration is part of the Philippine government's efforts to improve the security, stability, and online presence of all government agencies, including government-owned and controlled corporations, as stipulated in Administrative Order No. 39, issued by the Office of the President in July 2013. The DOST-ICTO guarantees the government's internet presence 24 hours a day, seven days a week (24/7), under all foreseeable conditions.

**Procurement Activities.** The Regulatory Office Bids and Awards Committee (BAC) was created pursuant to Republic Act No. 9184 and its Implementing Rules and Regulations to perform the procurement activities of the Office. The BAC conducted three procurements through competitive bidding resulting in two contracts awarded and one ongoing procurement for the year. In May, a special BAC also awarded a contract for the procurement of legal experts to assist in the arbitration cases between the MWSS and its Concessionaires.





# Public Information Department

## Community Building

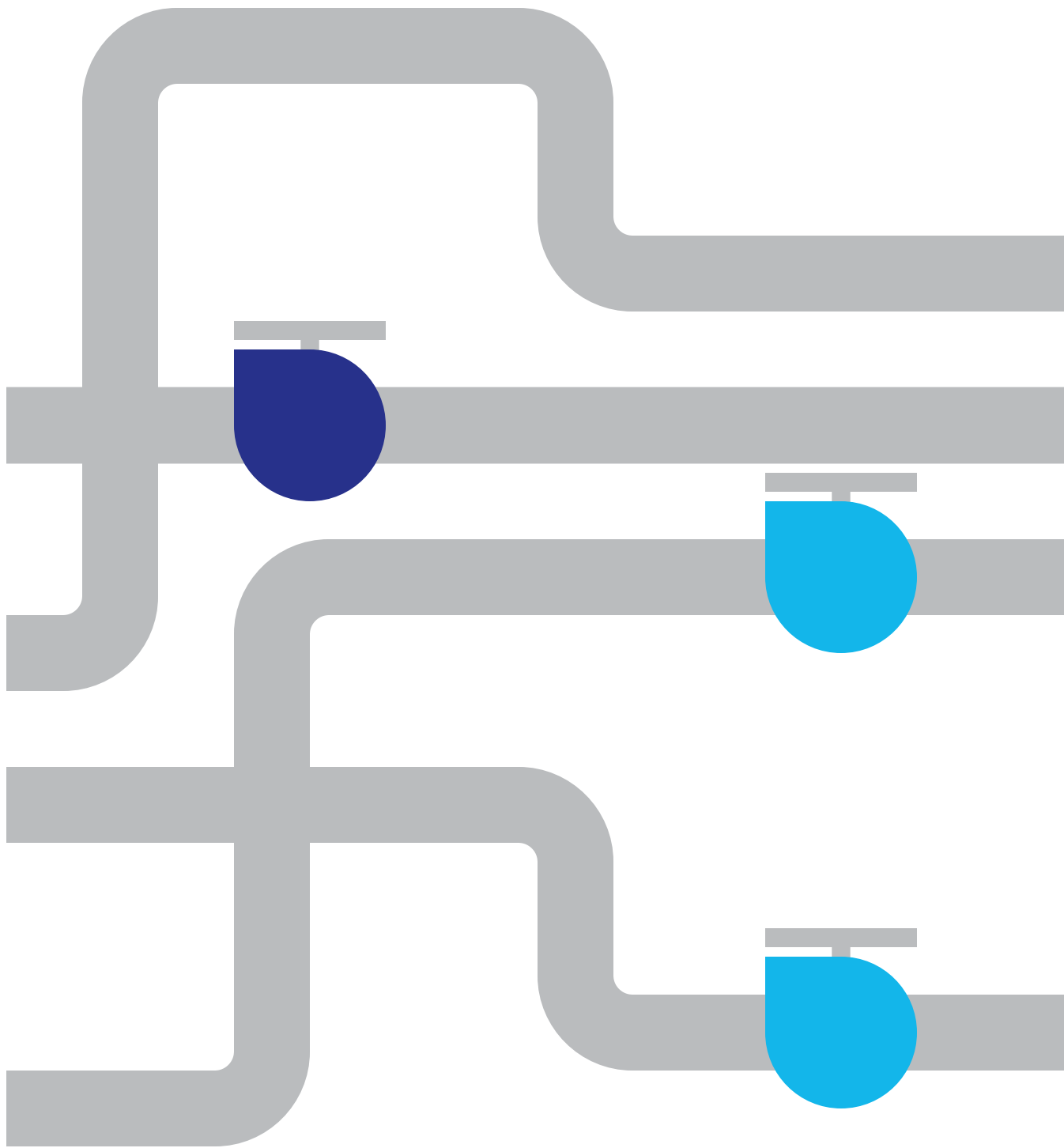
The Public Information Department under the Office of the Chief Regulator, together with the Customer Service Regulation Area, successfully conducted several information dissemination activities throughout the year. This included public dialogues and consultations, information caravans, consumer awareness campaigns for schools and health centers, and community briefings on sanitation and desludging. The various information dissemination activities reached a total of 2,735 water consumers from 154 barangays, an increase from the previous year’s coverage of only 105 barangays.

## Managing Media Relations

The Public Information Department issued regular press releases and public statements as part of its commitment to keep all stakeholders informed of relevant developments within the Regulatory Office and in the water and sewerage industries. Some of the topics covered during the year included the ongoing arbitration with Concessionaires, the appointment of a new Chief Regulator, and the above target high-performance rating of 94.8 percent that the Regulatory Office achieved, as rated by the Governance Commission for GOCCs. Key messages and public advisories regarding El Niño, water conservation, and septic tank desludgings were also circulated. The Department also organized press conferences as part of its communication efforts, liaising with news reporters and columnists for print, radio, and television.

### PUBLIC DIALOGUES CONDUCTED

Activity Date Conducted	Number of Attendees and Households Desludged	Number of Barangays Represented
Community Briefings on Desludging March 21; April 1, 4, 10, and 24; May 6 and 9	97	8
Public Dialogue on Bulk Meter Arrangement and Turn Over of Water Reticulation System of Subdivisions June 26	169	25
Public Dialogue on Billing Scheme and Rate Classification of High Rise and Other Multiple Dwellings August 6	133	36
Public Dialogue on Bulk and Clustered Meters September 17	137	3
Community Briefings on Sanitation and Desludging September 30; October 2, 9, and 21	237	4
Consumer Awareness Campaigns for Public Schools and Health Centers October 7, 10, 13, 15, 20, and 27	1,555	8
Information Caravan on Water Quality, Billing and Metering October 22	122	52
Public Dialogue on Bulk and Clustered Meters November 13	285	8
TOTAL	2,735	154



## Technical Regulation Area Ensuring Availability of Safe and Potable Water

The Technical Regulation Area makes sure Concessionaires distribute water that is safe and potable for drinking and discharge wastewater that can help improve the health of our waterways. They achieve this through frequent monitoring and testing of water sources and through diligent inspections of the facilities, operations and infrastructure projects of the Concessionaires.

The Technical Regulation Area remained at the forefront of ensuring that Metro Manila residents have continuous access to safe, potable drinking water and healthy sewerage systems. Through the frequent and rigorous monitoring and assessment of its two departments, the Operations Monitoring Department and the Water Quality Control Department, the year resulted not only in high levels of compliance from Concessionaires regarding their service obligations, but more importantly, in high levels of compliance in overall water quality.

The Operations Monitoring Department conducted inspections on 66 major facilities, 100 benchmark customers and three Capital Expenditure (CAPEX) Projects. It also initiated the development of a manual to properly evaluate the established Key Performance Indicators and Business Efficiency Measures (KPIs+BEMs) and continued yearlong monitoring activities on the supply levels of the Angat Reservoir. Through these activities, the department helped identify shortcomings, flag potential problems, and recommend improvements on the facilities and operations of its Concessionaires; it also gathered data for future Rate Rebasing exercises.

The Water Quality Control Department conducted 7,867 water quality tests and monitored 52 wastewater facilities to determine water quality within the Concessionaires' facilities and in their respective distribution areas. The results indicate that both Concessionaires posted overall high water quality, with 99.35% of water quality tests demonstrating compliance with the Philippine National Standards for Drinking Water (PNSDW). Discharges from the monitored wastewater facilities also demonstrated a 95% compliance for all sewage and seepage treatment works under Manila Water. Maynilad, using a different set of test parameters, demonstrated an 84% performance rating on their wastewater facilities. Both Concessionaires also conducted a total of 139,717 self-monitoring tests.





Deputy Administrator for Technical Regulation, Engr. Gerardo A. Sullano during a site visit

# Operations Monitoring Department

## Major Facilities Inspection

The Operations Monitoring Department inspected 66 out of the 81 major facilities operated by the two Concessionaires. The inspections, which were concluded by the 3rd quarter of the year, exceeded the department’s 2014 target of inspecting 65 major facilities. From the major facilities inspected, 31 are operated by Maynilad, and 35 are operated by Manila Water.

Major facilities are identified according to its impact on the levels of service, the size of the service area covered, and its design capacity. Based on these criteria, 1 Pumping Station, 28 Pumping Stations and Reservoirs, 30 Sewage Treatment Plants, and 7 Water Treatment Plants were inspected. From these major facilities, 14 were inspected during the 1st quarter, 33 during the 2nd quarter, and 19 during the 3rd quarter. By this time, the department has already exceeded its target number of inspections.

The facilities were inspected to review the Concessionaires’ operational procedures in running the facilities in terms of operation and maintenance, staffing, occupational health and safety, data recording, and data reporting. Results of the inspections were reported and compiled for proper documentation. Afterwards, they were transmitted to the concerned Concessionaire for guidance and appropriate action.

## Inspection Highlights

The Operations Monitoring Department made several recommendations to the Concessionaires.

For Maynilad, the department recommended rehabilitating the pumping stations and reservoirs, conducting regular inspections on reservoirs to check for structural and sanitary integrity, monitoring the operations and maintenance protocols of their contractors at Sewage Treatment Plants, conducting daily checks and tests on process parameters and facility-based record systems in their process laboratories, and formulating an *Operation and Maintenance Manual* and an *Emergency Response Manual* tailored tailored for each facility. During inspections, the department also directed the La Mesa Treatment Plant to obtain its ISO 17025 accreditation in order to demonstrate the integrity and reliability of data generated from the facility.

For Manila Water, the department noticed that the systems data and information records of some facilities are directly inputted into computers, manually. It was recommended that these data be recorded in a logbook instead, until such time that data from all their facilities can be integrated into their SAP System.

MAJOR FACILITIES INSPECTED BY QUARTER

Concessionaires	First Quarter	Second Quarter	Third Quarter
Maynilad	8	14	9
Manila Water	6	19	10
TOTAL	14	33	19

MAJOR FACILITIES INSPECTED BY TYPE

Concessionaires	Number of Pumping Stations	Number of Pumping Stations and Reservoirs	Number of Water Treatment Plants	Number of Sewage Treatment Plants
Maynilad	-	13	3	15
Manila Water	1	15	4	15
TOTAL	1	28	7	30

## CAPEX Project Inspections

With the inspection of major facilities completed by the 3rd quarter of 2014, the Operations Monitoring Department inspected a total of three CAPEX Projects under Manila Water during the 4th quarter of 2014. Inspections were conducted to monitor progress and flag potential shortcomings including delays, non-implementation, and other significant deviations from the submitted business plans.

The inspections focused on analyzing previously agreed upon documents including construction permits and Environment Compliance Certificates; the Construction Quality Assurance and Quality Control Manual; logbooks with records of site order, material control, design, and drawing control; construction drawings; Material Testing Records and Test Certificates; and other Project Schedule Monitoring documents.

### MANILA WATER PROJECTS INSPECTED

Facility	Estimated Project Cost	Number of Beneficiaries	Physical Accomplishment
Project Component	in PHP	by 2017	in %
Date Inspected			
<b>Marikina North Sewerage Project</b>	5,800,000,000	452,000	98 (STP)
100 Million Liters Per Day Sewage Treatment Plant			80 (TPS)
1 Terminal Pump Station			
22 Kilometer Interceptor Network			
8 October 2014			
<b>Taguig North Sewerage Project</b>	6,000,000,000	138,000	98 (STP)
75 Million Liters Per Day Sewage Treatment Plant			50 (Package 3)
10 Lift and Pump Stations			
58 Kilometer Sewer Network			
22 October 2014			
<b>Capistrano Water System Project</b>	578,000,000	93,000	Operational but under
10 Million Liter Capistrano Reservoir			process proving
10 Million Liter South Daang Hari Reservoir			
1 Terminal Pump Station			
5 November 2014			

### DISBURSEMENTS OF CONCESSIONAIRES

Concessionaires	Targeted Disbursement	Actual Disbursement	Disbursement Performance
	in PHP	in PHP	in %
Maynilad	15,027,000,000	7,616,000,000	51
Manila Water	10,011,000,000	4,416,000,000	44

## CAPEX Report Evaluations

The Operations Monitoring Department evaluated a total of eight quarterly CAPEX Accomplishment Reports, four for Maynilad and four for Manila Water. The reported total disbursements of Manila Water and Maynilad were PHP 4.416 billion and PHP 7.616 billion, respectively. The figures are based on unaudited financial statement reports and are still subject to reconciliation.

The low disbursement against the target can be attributed to the separate Dispute Notices filed by the Concessionaires as a result of the rebased rates released by the Regulatory Office in September 2013. During this time, both Concessionaires did not implement any new CAPEX projects.

## Water Availability and Pressure

To determine water continuity in Metro Manila and its neighboring towns, the Operations Monitoring Department validated a total of 100 Regulatory Benchmark Customers (RBCs), covering eight Business Areas operated by Manila Water and twelve operated by Maynilad, to test for water availability and water pressure.

RBCs, also known as pressure monitoring points, are water consumers who have been installed with dataloggers that record and transmit pressure readings and water availability. They represent the worst situation in an area or district and they are the first to be affected during deviations in the water supply and pressure conditions in the system. RBCs are also those who are either farthest from the source or located on the highest portions of the distribution network.

Validation is conducted on randomly selected RBCs using raw data transmitted every 15 minutes by the dataloggers. Out of the 40 RBCs validated from Manila Water, 13 or 33% experienced a pressure of less than 7psi, which translates to 10% of its customers not receiving a 24-hour water supply. On the other hand, the evaluation for Maynilad showed that 36 RBCs or 60% of its customers experienced a pressure of less than 7psi and 19 RBCs or 32% of customers received less than a 24-hour water supply.

Comparing the validated data with the Quarterly Water Availability and Pressure Reports submitted by the Concessionaires, the results showed that the reported water availability and pressure maps of Manila Water and Maynilad are not accurate, since there were monitoring points that did not receive the required 24-hour water supply and 7psi water pressure at all times.

### CRITERIA FOR EVALUATION OF CONCESSIONAIRE’S WATER SUPPLY AVAILABILITY

Pressure Condition During the Quarter	Water Availability
Pressure greater than zero psi	Passed
Pressure is zero to negative for more than 24 hours but with planned interruption	Passed
Pressure is zero to negative for no more than 24 hours without planned interruption	Passed
Pressure is zero to negative for more than 24 hours without planned interruption	Failed

### REGULATORY BENCHMARK CUSTOMERS VALIDATED FOR MAYNILAD

Quarter	Total Number of RBCs	Number of RBCs Less than 7 psi	Percentage of RBCs Less than 7 psi in %	Number of RBCs Less than 24 hours	Percentage of RBCs Less than 24 hours in %
First	15	13	87	3	20
Second	15	1	7	0	0
Third	15	11	73	9	60
Fourth	15	11	73	7	47
<b>TOTAL</b>	<b>60</b>	<b>36</b>	<b>60</b>	<b>19</b>	<b>32</b>

### REGULATORY BENCHMARK CUSTOMERS VALIDATED FOR MANILA WATER

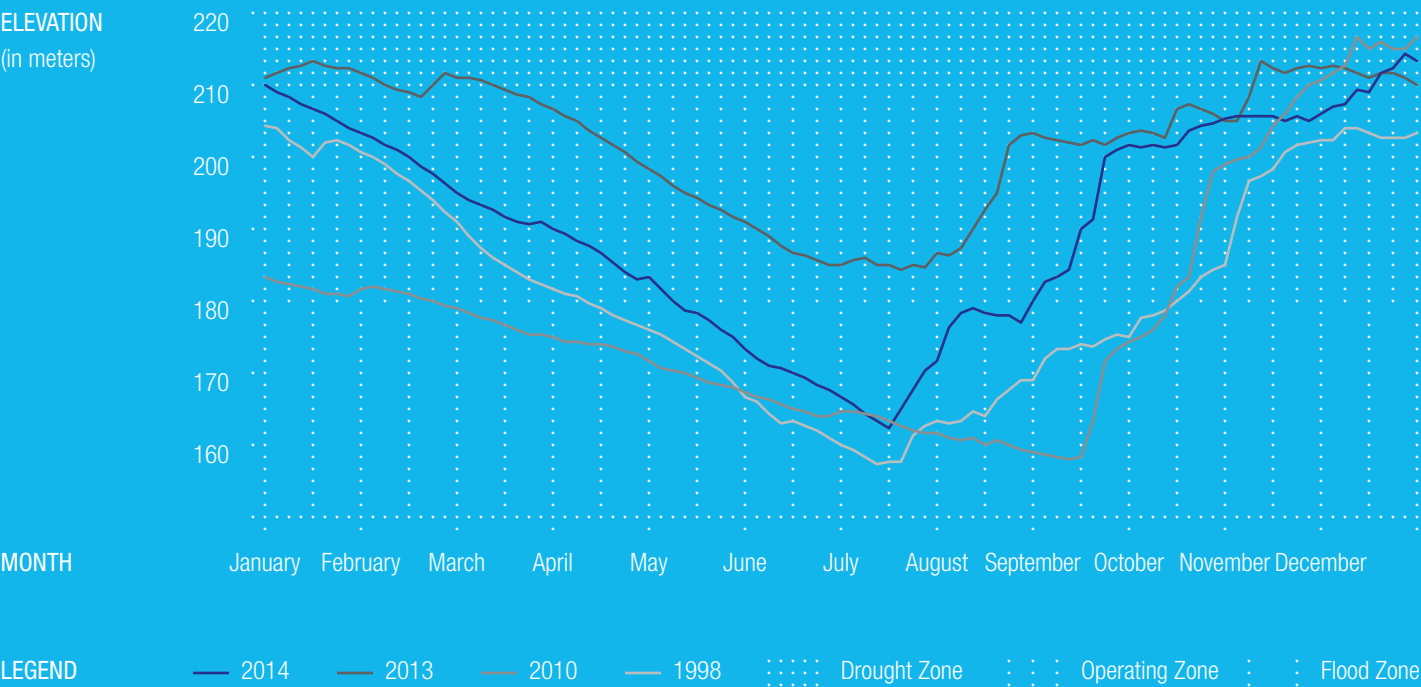
Quarter	Total Number of RBCs	Number of RBCs Less than 7 psi	Percentage of RBCs Less than 7 psi in %	Number of RBCs Less than 24 hours	Percentage of RBCs Less than 24 hours in %
First	10	2	20	0	0
Second	10	5	50	0	0
Third	10	4	40	3	30
Fourth	10	2	20	1	10
<b>TOTAL</b>	<b>40</b>	<b>13</b>	<b>33</b>	<b>4</b>	<b>10</b>

# Monitoring the Angat Reservoir

Supplying 98% of the raw water requirements of the MWSS, the Operations Monitoring Department regularly monitors and evaluates the water levels at the Angat Reservoir, reporting on the Concessionaires' water production on a quarterly basis. Adopting the National Water Resources Board approved operational rule curves for the Angat Reservoir, the Angat River's elevation was on the Drought Zone (<180 meters) from May to August of 2014, with the lowest level recorded at 162.80 meters on 16 July 2014. By the third week of July, elevation began to rise, breaching the Drought Zone towards the end of August when elevation was recorded at 181.27 meters. The increase in water level is attributed to the western monsoon rains during the period. Water levels also rose significantly by 13.66 meters from 15 August to 22 August due to the rainwater brought by Typhoon Mario, and continued to rise even as we approached the last quarter of 2014.

In terms of raw water supply, the Angat Dam released an average of 40.82 cubic meters per second of water or a total of 3,527 million liters per day from January to December 2014. For treated water production, on the other hand, the Concessionaires recorded a total average production of 3,246.94 million liters per day. From this, 1,868.47 million liters per day were allocated to Maynilad and 1,378.47 million liters per day for Manila Water in the period between January to December 2014. Based on their historical monthly productions, the treatment plants of the Concessionaires were not significantly affected by the reduced allocation of water during the months of May to July 2014 because of the declaration of a mild El Niño.

## Angat Reservoir Elevation



## KPIs+BEMs Evaluation

The Regulatory Office, in coordination with the Concessionaires, took the initiative to develop a manual entitled, *Guidelines in the Evaluation of the KPIs+BEMs* to provide a step-by-step guide in evaluating the established KPIs+BEMs identified during the first Rate Rebasing exercise in 2002. During development of the manual, the Concessionaires were given an opportunity to review and revise the KPIs+BEMs for a more accurate performance and efficiency measurement.

For the Regulatory Office, interest in the KPIs+BEMs is threefold. First, it provides a measure of performance for each Concessionaire, both in relative and absolute terms, and against the principal requirements of the Concession Agreement. Second, it provides progressive information on the operational efficiency of each Concession. And third, it facilitates a common reporting format that stakeholders (local and national government, water consumers, and the public at large) can use to assess progress in the Concession areas.

## Monitoring of Pipe Repairs

The Operations Monitoring Department monitored the status of several pipe laying, pipe bursts, and interconnection works. This included repairs on the service line leakages along Quirino Highway in Barangay Bagbag, Novaliches on 25 February 2014; interconnections between a 600 mm diameter discharge line to an existing 900 mm line and a 900 mm suction line to an existing 900 mm line along Quirino Highway, Quezon City on 21 March 2014; and realignment of the existing 2200 mm water pipeline along Juan Luna and Hermosa Streets in Manila that were affected by the construction of a Department of Public Works and Highways (DPWH) drainage line on 15 April 2014. These monitoring activities were conducted to make sure that the Concessionaires took measures to minimize the disruption of water supply services and of public inconvenience.



# Water Quality Monitoring Department

## Self-Monitoring by Concessionaires

The two Concessionaires carried out a total of 139,717 self-monitoring tests, of which 79,260 were conducted by Maynilad and 60,457 were conducted by Manila Water. From these tests, 93,287 or 67% were conducted within the supply zones, 32,624 or 23% within water treatment works, and 13,806 or 10% within service reservoirs.

For both Maynilad and Manila Water, all self-monitoring tests conducted within the supply zones (12 supply zones under Maynilad and 5 under Manila Water) and within all operational service reservoirs (22 service reservoirs operated by Maynilad and 24 by Manila Water) indicated an absence of coliforms. Furthermore, all tests conducted at supply zones were in compliance with PNSDW standards. Two or less than 1% of the 32,624 self-monitoring tests conducted at water treatment works, however indicated contraventions, exceeding the prescribed concentration values.

Thus, based on these self-monitoring tests, 99.99% or 139,715 of the total number of water samples tested demonstrated compliance with standards. The success of these self-monitoring tests are a reflection of the efforts of the Water Quality Monitoring Department in promoting the WS Guide Document.

## Wastewater Quality Compliance

The Water Quality Monitoring Department monitored the discharges of the 52 Sewage and Septage Treatment Plants operated by the Concessionaires for compliance with Department of Environment and Natural Resources (DENR) Administrative Order No. 35, Series of 1990, The Revised Effluent Regulations of 1990, Revising and Amending the Effluent Regulations of 1982, that sets the maximum allowable limits for effluent quality.

For Maynilad, the performance rating for effluent quality was computed based on the number of samples passing the complete set of five key parameters (biochemical oxygen demand, chemical oxygen demand, total suspended solids, oil and grease, and coliforms), expressed as a percentage of the total number of samples collected. Under this formula, a failure to meet any of the five parameters in any sample is considered a failure to meet the target. As a result, Maynilad demonstrated an 84% performance rating, with 21 out of 130 samples collected from the 14 Sewage and Septage Treatment Plants it operates reporting contraventions.

For Manila Water, the performance rating for effluent quality was computed based on the *Service Obligations and Key Performance Indicator Guidance Document on Wastewater (WW Guide Document)*, which requires all facilities to reach a minimum performance rating for the year of not less than 95%. In this regard, Manila Water demonstrated a 100% performance rating, with all 380 samples collected from the 38 Sewage and Septage Treatment Plants it operates meeting the required 95% minimum performance rating.



The Water Quality Monitoring Department conducts a water sampling test at the San Mateo Septage Treatment Plant



# 99.35% Overall Water Quality

To ensure water quality, 7,867 water quality tests were conducted covering both Concession areas, of which 862 or 11% of the determinations were conducted at Water Treatment Works and 7,005 or 89% of the determinations were carried out in Supply Zones. Collectively, the results demonstrated a high overall water quality with 99.35% of all tests found to be in compliance with the the PNSDW's Prescribed Concentration Values for all 86 parameters incorporated in the Service Obligations and Key Performance Indicator Guidance Document on Water Supply (WS Guide Document), including bacteriological quality, residual chlorine, color and turbidity. Out of the 862 water quality tests conducted at Water Treatment Works, 1.86% contravened the standards, with 16 of the conducted determinations breaching the Prescribed Concentration Values on residual chlorine, pH, and total dissolved solids. From the 7,005 water quality tests conducted at Supply Zones, 99.50% of the samples demonstrated compliance with the PNSDW, while the remaining 0.50% or 35 water samples demonstrated a breach in Prescribed Concentration Values with failed parameters in coliforms and turbidity. The contraventions, however were due to the local condition of the pipe works within the customer's premises. Monitoring data also confirmed that the quality of water supplied by the Concessionaires at the time of sampling was potable and safe for drinking.

## Water Quality

Concessionaires	Number of Determinations	Number with Prescribed Concentration Value Breached	Percentage with Prescribed Concentration Value Breached in %	Compliance with PNSDW in %
Water Treatment Works				
Maynilad	481	16	3.33	96.67
Manila Water	381	0	0	100
TOTAL	862	16	1.86	98.14
Water Supply Zones				
Maynilad	3,655	19	0.52	99.48
Manila Water	3,350	16	0.48	99.52
TOTAL	7,005	35	0.50	99.50
OVERALL WATER QUALITY				
MAYNILAD	4,136	35	0.85	99.15
MANILA WATER	3,731	16	0.43	99.57
TOTAL	7,867	51	0.65	99.35

## Contraventions in Color and Turbidity

Based on an incident report from Manila Water, there were contraventions in color and turbidity detected on 19 September 2014 in the aftermath of Typhoon Mario. Higher water demand from flooded areas stretched the design capacity of water treatment works from 1,130 million liters per day to 1,270 million liters per day during peak flow at extended hours. As a result, the Concessionaire made a commitment to carry out improvements in compliance with the required quality benchmarks.

It is worth noting that the failed parameters have no serious bearing on health standards. As aesthetic parameters, the contravention of these benchmarks do not mean that the water is unfit to drink. Data submitted by the Concessionaire also demonstrated that the water supply complied with bacteriological standards.

## Interagency Committee Membership

The Department attended 12 regular monthly meetings of the Metro Manila Drinking Waster Quality Monitoring Committee and four regular quarterly meetings of the Rizal Drinking Water Quality Monitoring Committee. It also attended meetings with the Corporate Office regarding the draft of the Guidelines in Connecting Trade Effluent from Commercial and Industrial Establishments into the MWSS Sewerage System. The Regulatory Office received a copy of the draft for review and implementation in December.



## Customer Service Regulation Area Protecting Consumer Welfare

The Customer Service Regulation Area helps protect the welfare of the water consumers in Metro Manila and its neighboring areas by making sure customers receive water services that meet their expectations and by providing a fast and efficient means to settle complaints.

The Customer Service Regulation Area under the Regulatory Office made sure that water consumers in Metro Manila and its neighboring areas received excellent services from their Concessionaires not only in the quality of their water, but also in the manner that these services are delivered. It is composed of two departments, the Metering Efficiency Department that focuses on monitoring the Concessionaires' performance regarding metering, billing and service connections; and the Customer Service and Monitoring Department that evaluates the Concessionaires' customer service efficiency.

Among the year's accomplishments is the resolution of 141 out of 156 complaints received from the customers of the two Concessionaires. The Metering Efficiency Department also attended 11 meter testing schedules, monitored compliance of the Concessionaires with the approved Implementing Rules and Regulations (IRR) on billing and metering, and evaluated the service performance of Concessionaires based on their submitted KPI Reports.

The Customer Service and Monitoring Department continued to evaluate the compliance of its Concessionaires with their service coverage targets, noting an increase in the number of water service connections, sewerage connections, desludgings, and resolution rates on customer complaints.



Aerial view of the Ipo Dam

# Metering Efficiency Department

## Meter Efficiency Testing

The Metering Efficiency Department analyzed the quarterly reports of the Concessionaires regarding water meter testings for the year. The Department also received 14 invitations to witness meter testings and inspections conducted by the Concessionaire, of which it attended 13.

For Maynilad, a total of 2,632 reported defective and tampered water meters were inspected and tested for accuracy. From the 2,632 tested and inspected water meters, 1,774 passed the flow accuracy test and were found to still be in good working condition. There were 582 units found with defects and inaccurate registrations, 539 of which were due to wear and tear. However, 276 units or 10% of the 2,632 meters inspected were found to be tampered.

For Manila Water, a total of 1,767 reported defective and tampered water meters were inspected and tested for accuracy. Among these inspected water meters, 1,396 units or 79% passed the flow accuracy test and was found to still be in good working condition. On the other hand, 369 units or 21% of the water meters tested were found defective, majority of which (338 out of 369 units) were due to wear and tear. Only one meter or practically 0% of the 1,767 meters inspected were found to be tampered.

Based on their KPI reports, Manila Water also received a total of 2,261 complaints on defective meters or 3% of the 76,771 total complaints they received. On the other hand, Maynilad received a total of 3,496 complaints on defective meters for the same period in 2014, which makes 4% of 92,956 total complaints received.

### METER EFFICIENCY

Concessionaires	Total Number of Meters Reported Defective and Tampered	Number of Working Meters	Percentage of Working Meters in %	Number of Defective Meters	Percentage of Defective Meters in %	Number of Tampered Meters	Percentage of Tampered Meters in %
Maynilad	2,632	1,774	68	582	22	276	10
Manila Water	1,767	1,396	79	369	21	1	0
TOTAL	4,399	3,170	72	951	22	277	6

### METER TESTINGS ATTENDED BY CUSTOMER SERVICE REGULATION

Concessionaires	Number of Invitations Received	Number of Testings Attended	Number of Passed Testings	Number of Failed Testings
Maynilad	12	11	8	3
Manila Water	2	2	1	1
TOTAL	14	13	9	4



# Handling Customer Complaints

A total of 156 complaints were received from customers of both Manila Water and Maynilad during the year, of which, 53 were filed against Manila Water and 103 against Maynilad. To resolve the complaints, 127 coordination meetings and 12 field investigations were conducted. This resulted in decisions for 141 or 90% of the complaints, with 133 resolutions and 8 closure letters issued. Among these complaints, 79 involved billing and meter-related issues and was handled by the Metering Efficiency Department, and 77 were handled by the Customer Service and Monitoring Department.

## Status of Customer Complaints

Department	Number of Complaints Received	Number of Complaints Endorsed	Number of Conference Meeting	Number of Field Investigation	Number of Complaints for Resolution	Number of Complaints Submitted for Resolution	Number of Complaints Resolved with Closure	Number of Complaints Resolved with Resolution
Metering Efficiency Department	79	79	70	9	-	-	8	54
Customer Service and Monitoring Department	77	77	57	3	-	-	-	79
TOTAL	156	156	127	12	-	-	8	133

## Monitoring Compliance with IRRs

To avoid excessive billing and promote a uniform treatment of customers, the Metering Efficiency Department monitored the compliance of Concessionaires on the approved 2008 IRRs regarding the provision of water services to customers. To determine compliance, 25 field verifications were conducted for Maynilad and 36 field verifications for Manila Water.

A total of 1,940 accounts were reclassified under IRR No. 2008-02 or the Billing Scheme and Rate Classification for High Rise and other Multiple Dwellings. Of these accounts, 1,151 out of 1,174 covered accounts were reclassified by Maynilad, while 789 out of the total 838 accounts were reclassified by Manila Water. Meanwhile, a total of 840 accounts were reclassified under IRR No. 2008-05 or the Rate Reclassification of Some Government Institutions. From these accounts 433 out of 451 covered accounts were reclassified by Maynilad, while 407 out of 490 covered accounts were reclassified by Manila Water.

Through Regulatory Office Resolution No. 2008-274 or the Interconnection and Turn Over of Subdivision’s Water System, a total of 1,595 subdivisions under bulk metering arrangements were converted to individual connections. From these accounts, 1,189 were within Maynilad’s concession area, while 406 were within Manila Water’s. A total of 504 out of 762 People’s Organizations within Manila Water’s concession area also were also individualized in compliance with Regulatory Office Resolution No. 05-006 or the Individualization of People’s Organizations. Maynilad, however is not covered by this resolution.

### MAYNILAD COMPLIANCE WITH APPROVED IRRS

Approved IRRs	Number of Accounts	Number of Accounts Reclassified	Percentage of Accounts Reclassified in %
Billing Scheme and Rate Classification for High Rise and other Multiple Dwellings	1,174	1,151	98.04
Rate Reclassification of Some Government Institutions	451	433	96.01
Interconnection and Turn Over of Water System of Subdivisions	1,782	1,189	66.72
Individualization of People’s Organizations	–	–	–

### MANILA WATER COMPLIANCE WITH APPROVED IRRS

Approved IRRs	Number of Accounts	Number of Accounts Reclassified	Percentage of Accounts Reclassified in %
Billing Scheme and Rate Classification for High Rise and other Multiple Dwellings	838	789	94.15
Rate Reclassification of Some Government Institutions	490	407	83.06
Interconnection and Turn Over of Water System of Subdivisions	657	406	61.80
Individualization of People’s Organizations	762	504	66.14

## Other Activities

**Preparations for the Implementation of New IRRs.** For the implementation of the 2013 IRRs for Common Regulatory Issues, the Customer Service Regulation Area presented the General Guidelines on the Conduct of Information Dissemination, Reporting and Field Verification Activities to the Concessionaires on 15 August 2014. On 9 October 2014, Manila Water, Maynilad, and the Regulatory Office agreed on its implementation.

**Presentation of Meter Accuracy Report and Proposed Guidelines.** With the increasing number of complaints relating to meters and the need to standardize procedures on meter replacement, the Customer Service Regulation Area presented the proposed General Guidelines concerning water meters as an addendum to RO-OPP-052-01 on Massive Water Meter Replacement Programs of the Concessionaires and Meter Related Complaints Handling to the Concessionaires on 23 July 2014.

**Rules of Procedure for Handling Customer Complaints.** To facilitate the faster resolution of customer complaints, a Committee was formed through Regulatory Office Order No. 087 s. 2014 with the task of formulating the framework of the 2014 Rules of Procedure for Handling Customer Complaints. Following several meetings and deliberations, the Committee submitted a draft framework to the Executive Committee for discussion.



Deputy Administrator for Customer Service Regulation, Atty. Vincent Pepito F. Yambao, Jr. demonstrates the proper way of washing hands in celebration of Global Handwashing Day

# Customer Service Monitoring Department

## Public Information Campaigns

The Customer Service Regulation Area, in coordination with the Public Information Department under the Office of the Chief Regulator and the other Regulation Areas, conducted and completed public dialogues and consultations, information caravans, consumer awareness campaigns for schools and health centers, and community briefings on sanitations and desludgings.

Through these activities, the Department aims to help consumers become more aware of their basic rights and responsibilities, educate them on relevant issues, and solicit feedback on the practices and policies of the two Concessionaires in providing water and sewerage services.

## Planned Water Service Interruptions

A total of 19 planned water interruptions lasting less than 24 hours were recorded for Manila Water. Maynilad, on the other hand, recorded a total of 10 interruptions of less than 24 hours and 1 planned interruption of more than 24 hours. The Customer Service Monitoring Department conducted field verifications to ensure that an alternative water supply is provided for customers who will be affected by major water interruptions.

PLANNED WATER SERVICE INTERRUPTIONS

Concessionaires	Number of Planned Water Service Interruptions Less than 24 Hours	Number of Planned Water Service Interruptions 24 Hours or More	Number of Post Monitoring Reports Received
Maynilad	10	1	1
Manila Water	19	0	0
TOTAL	29	1	1





Chemical Storage Tanks at the La Mesa Treatment Plant

## Compliance with the KPIs

To ensure that agreed improvements in service standards and extensions in the service coverage are met, the Department constantly monitors KPIs on New Domestic Water Service Connections (W1) to verify the coverage of water services, New Domestic Sewer Connections (S1) and Number of Septic Tanks Desludged (S2) to verify coverage of sewerage services, and Response to Customer Service Complaints (C1) and Customer Billing Complaints (C2) to verify the efficient handling of complaints by the Concessionaires.

Following 116 field verification activities covering Maynilad’s submissions and 126 verification activities for Manila Water’s submissions, the Customer Service Monitoring Department confirmed a total of 1,128,024 domestic water service connections billed by Maynilad and 896,372 domestic water service connections billed by Manila Water. From these service connections, 38,377 were newly served by Maynilad and 26,553 by Manila Water. The total domestic sewer connections, on the other hand, were confirmed at 48,740 for Maynilad and 112,282 for Manila Water. From these, Manila Water served 101 new sewer connections, while 4,229 were served by Maynilad. The number of septic tanks desludged also reached 41,873 for Maynilad and 65,855 for Manila Water.

In handling customer complaints, Maynilad posted a decline in the resolution rate regarding customer bulling. The decline, however, is due to the recent implementation of a new workflow management system for complaints, which may still be unfamiliar to Maynilad personnel. Manila Water, on the other hand, performed above the 95% accepted standard in handling efficiency rates.

## Site and Field Inspections

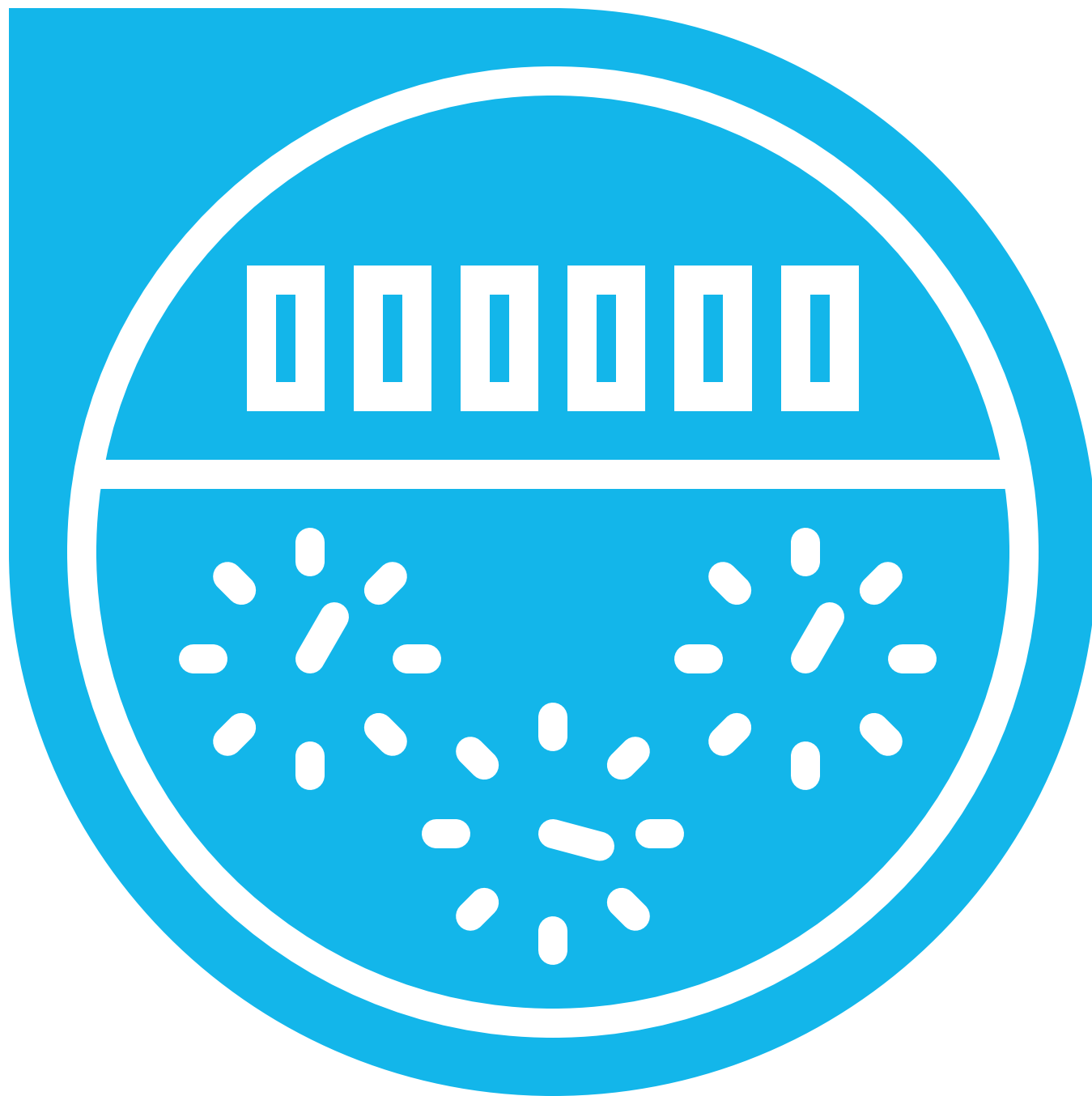
The Customer Service Monitoring Department conducted 12 site inspections and field investigations for 2014. These included an inspection of a depressed area located at the Targan Community Neighborhood Association in Barangay Maharlika Village, Taguig City on 24 September 2014. The inspection stemmed from a request from Manila Water to install bulk meters at the village.

On 9 July 2014, the Customer Service Regulation Area, together with the Technical Regulation Area and the Legal Department, met with Rosario, Cavite officials regarding a proposed Memorandum of Agreement between the town of Rosario, Cavite and Maynilad regarding the water service connection and sale of bulk water. Specific requests were also made to decrease in the Environmental Charge from 20% to 10% and to apply the average rate code to the bulk selling scheme.

The Department also conducted site inspections at Barangay Batingan, Binangonan, Rizal on 24 November 2014 in an initiative to seek a better perspective regarding the issue of clustered connections. They also visited a compound in Sampaloc, Manila to verify the details of an abrupt increase in the water bill of a tenant.

### CUSTOMER SERVICE MONITORING DEPARTMENT KPIS

Concessionaires	Number of New Domestic Water Service Connections W1	Number of New Domestic Sewer Connections S1	Number of Septic Tanks Desludged S2	Response to Customer Service Complaints C1 in %	Response to Customer Billing Complaints C2 in %
Maynilad	38,377	4,229	41,873	96.69	90.18
Manila Water	26,553	101	65,855	99.61	99.43
TOTAL	64,930	4,330	107,728	98.15	94.80



## Financial Regulation Area Promoting Fair and Equitable Water Prices

The Financial Regulation Area makes sure Concessionaires operate in a manner that would allow them to recover their investments, while rationalizing prices. This way, consumers can expect their bills to remain at the lowest overall cost, while still enjoying significant improvements in water quality.

The Financial Regulation Area continued to perform its task of verifying the Concessionaires' overall financial performance, monitoring water prices, and determining rate calculations. It is composed of two departments, the Financial Audit and Asset Monitoring Department that monitors and evaluates the financial operations and status of the Concessionaires; and the Tariff Control Monitoring Department that verifies and evaluates the Concessionaires' rate adjustments and monitors compliance with the approved rates and charges under the Concession Agreement.

Activities during the year were affected by the arbitration proceedings that resulted from the third Rate Rebasing exercise in 2013. Following a request from the appeals panel hearing Manila Water's Dispute Notice, the Financial Regulation Area conducted a Rate Rebasing Review to reconcile other items, apart from the Corporate Income Tax, that were being disputed during arbitration.

A status quo on adjustments to the Standard Rates and Foreign Currency Differential Adjustment (FCDA) was also implemented, pending a final award from the arbitration panel. The status quo lasted until the end of the year, when the Financial Regulation Area recommended the resumption of adjustments for 1 January 2015.



Rate Rebasing Review

The activities for year 2014 were largely dictated by the arbitration proceedings initiated by the two Concessionaires, Maynilad and Manila Water, as a result of the 2013 Rate Rebasing determination. Although both arbitration proceedings were limited to the Corporate Income Tax issue, the Appeals Panel for the Manila Water dispute required the reconciliation of other items that were also originally disputed, referring to it as the Rate Rebasing Review. The Financial Audit and Asset Monitoring Departmen discussed the items attributed to the adjustments in the Opening Cash Position and projected Operating Expenditures in the Rate Rebasing determination in 2013 with Manila Water.

During the second quarter of 2014, the Financial Audit and Asset Monitoring Department conducted a financial audit relative to the 2013 Rate Rebasing exercise of unretrieved transactions of operating expenditures and capital expenditures of Manila Water. The Tariff Control Monitoring Department provided the tariff implication of each adjustment from the Rate Rebasing determination in 2013 using the inputs from the Financial Audit department and the Technical Team that discussed the CAPEX. These activities provided vital information to the MWSS team and the Concessionaires in coming up with reconciled Cash Flows, other than the Corporate Income Tax.

Rate Determinations

The Concession Agreements provide that the Standard Rates for water and sewerage services shall be adjusted each year effective on January 1 of each charging year in accordance with the Rates Adjustment Limit. The Rates Adjustment Limit is the percentage, either positive or negative, equal to the sum of three factors. The first factor, C, refers to the annual percentage change in the Consumer Price Index. The second factor, E, refers to any Extraordinary Price Adjustment. The final factor, R, is any Rebasing Convergence Adjustment.

The Tariff Control Monitoring Department noted the percentage change in Consumer Price Index between July 2013 and July 2014, as published by the Philippine Statistics Authority. This was used to determine the annual percentage change in the Consumer Price Index applied to the Rates Adjustment Limit for Charging Year 2015.

FCDA Petitions

On 12 December 2013, the Board of Trustees issued Resolution Nos. 2013-128-RO and 2013-129-RO, approving recommendations from the Regulatory Office to implement the status quo on any and all adjustments to the Standard Rates and the FCDA, until such time that the Appeals Panels hearing the Maynilad and Manila Water arbitration proceedings have issued the Final Award for the 2013 Rate Rebasing determination. The FCDA is a mechanism that accounts for foreign exchange losses or gains resulting from MWSS and Concessionaire loans used for capital expenditures and concession fee payments. It is a corrective mechanism that helps avoid under recovery or over recovery caused by movements in foreign exchange rates.

For Maynilad, the status quo for the FCDA began after January 2014 when the foreign currency gains, resulting from the refinancing of the US-Dollar denominated loans in March 2013 have been fully refunded to customers. The Tariff Control Monitoring Department noted that the FCDA were reflected in the water bills sent to customers in March and April.

As a result of the status quo orders, Maynilad did not submit FCDA petitions for the second to fourth quarters of 2014. Manila Water, on the other hand, still submitted the regular FCDA petitions during the same period. The Financial Regulation Area processed these submissions and made recommendations to the Regulatory Office.

Realizing that the arbitration proceedings are winding down, the Financial Regulation Area recommended the resumption of the FCDA starting January 2015. Upon discussions with the Regulatory Office, the Concessionaires submitted their first quarter FCDA proposals for 2015. In this instance the Office issued Resolution Nos. 14-001-CA and 14-002-CA on 17 December 2014 recommending to the Board of Trustees an FCDA of 1.12% for Maynilad and 1.32% for Manila Water to take effect starting 1 January 2015.

Other Activities

**Tariff Control Monitoring Department.** The Department performed its regular function of monitoring indicated inflation rates that are necessary to determine the tariff components used in adjusting cost methodologies and procedures specified in the Concession Agreements. The Department also participated in the new water source under development by the Corporate Office by providing tariff simulations covering different scenarios for the Kaliwa Dam project. By the end of 2014, the project had been published, inviting participants for a Public-Private Partnership with the Philippine government.

**Financial Audit and Asset Monitoring Department.** The Department performed its regular functions in terms of Business Efficiency Measures trending and analysis, relative to the KPI+BEMs reports submitted by both Concessionaires in 2014. To aid the annual financial audit, relative to the determination of the Opening Cash Position for the next Rate Rebasing exercise, the Financial Audit and Asset Monitoring Department began conceptualizing the Concession Accounting and Auditing Guidelines and mapping the Statutory Accounts with the proposed Regulatory Accounts, in consultation with both Concessionaires.

RATE REBASING ADJUSTMENT

Item	Opening Cash Position in PHP	Appropriate Discount Rate in %	Rebasing Adjustment in PHP per cubic meter	Rebasing Adjustment in %
Original Rate Rebasing Determination	(17,175,000,000)	7.35	(7.24)	(29.47)
RO Resolution No. 13-009-CA dated 10 September 2013				
Manila Water Position	(30,800,000,000)	7.89	3.60	14.00
Alternative Proposal for Rate Rebasing Adjustment				
Rate Rebasing Review	(28,100,000,000)	7.61	(2.77)	(11.05)
RO Resolution No. 2015-003 dated 16 March 2015				

ANNUAL ADJUSTMENTS OF ALL CONSUMER PRICE INDEX BASED ITEMS IN THE CONCESSION AGREEMENT

Year	Annual Inflation Rate in %	Corporate Office Annual Budget in PHP	Regulatory Office Annual Budget in PHP	Connection Charge in PHP	Connection Charge for Depressed Communities in PHP	Reconnection Charge in PHP	Procurement of Goods and Services in PHP	Appeals Panel Per Diem in PHP	Low Income Household in PHP
2014	3.0	470,016,826	470,016,826	7,050.25	2,350.08	470.02	587,521	5,875	117,504
2013	3.2	456,327,016	456,327,016	6,844.91	2,281.64	456.33	570,409	5,704	114,082



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# Administration and Legal Affairs Doing Things Right

The Administration and Legal Affairs help shed light on the regulatory issues that can emerge from the Concession Agreements. They also make sure that the Regulatory Office can implement its mission and vision through the proper management of its assets, its finances, and its people.

Administration and Legal Affairs continued to handle the logistics, legal, and business transactions of the Regulatory Office. It is composed of two departments, the Administration Department who provides overall administrative support and ensures the financial viability of the Office through fiscal discipline and proper budget allocation; and Legal Affairs who monitors compliance of the Concessionaires with their obligations under the Concession Agreement and attends to all disagreements, disputes, controversies, or claims arising out of it.

A highlight for the Administration Department was the successful appointment of a new Chief Regulator to provide leadership and direction to the Regulatory Office. Together with 11 other appointments and hires, the department made sure that the Regulatory Office had the right people to operate efficiently and productively. The year also saw an increase in the number of trainings given to the Regulatory Office's staff in an effort to improve its people's performance and confidence.

The Legal Department, on the other hand, focused their energy in assisting the yearlong arbitration cases involving the Regulatory Office and its Concessionaires. While serving as resource persons during the arbitration proceedings, the Legal Department continued to successfully perform its regular functions as mandated by the Concession Agreement.





Aerial view of the Balara Treatment Plants

# Administration Department

## Compliance with Good Governance

Administration and Legal Affairs facilitated compliance with the Governance Commission for GOCCs (GCG) by accomplishing reports on the “Conditions Common to all National Government Agencies and GOCCs” and “Conditions Specific to GOCCs”. These reports were submitted for validation by the concerned agencies, including the Civil Service Commission, the Department of Budget and Management (DBM), PhilGEPS and the Administrative Order No. 25 Inter Agency Task Force Secretariat. These reports also contributed to GCG’s approval of the Performance Based Bonus of the Regulatory Office’s officers and employees for 2014.

## Financial Management

Through Board Resolution No. 2014-014-CO and Board Resolution No. 2014-040-RO, the Board of Trustees approved the PHP 183.5 million Corporate Operating Budget for the Regulatory Office in 2014 and the PHP 78.4 million Supplemental Budget for the Arbitration proceedings, respectively. Out of the total Board Approved Budget, PHP 242.3 million was approved by Department of Budget and Management for disbursement. The Regulatory Office also received PHP 133.0 million in collections from the Corporate Office.

PHP 128.5 million of the total budget were utilized and disbursed in the delivery of quality regulatory services to the public. The office also generated a savings of PHP 35.5 million from the ordinary course of operations.

### SUMMARY OF COLLECTIONS

Item	Budget	Approved	Remittances	Percentage
Corporate Operating Budget (COB)	183,553	163,805	70,000	43%
Supplemental Budget (Arbitration)	78,427	78,427	63,023	80%
TOTAL	261,980	242,232	133,023	55%

### SUMMARY OF SAVINGS

Item	Approved	Utilized	Savings
Personnel Services	47,024	37,575	9,449
Maintenance, Overhead and Operating Expense (MOOE) Regular*	20,283	12,032	5,072
Maintenance, Overhead and Operating Expense (MOOE) Professional*	58,858	2,580	2,863
Arbitration	78,427	60,292	18,134
Capital Outlay*	30,153	8,598	50
Debt Services	7,487	7,517	(30)
TOTAL	242,232	128,594	35,538

Not all projects and procurements under Maintenance and Other Operating Expenses and Capital Outlays were implemented during the year. As such, savings under these items are computed based only on awarded projects.





Vintage pipes at the Balara Filters Park

Personnel Recruitment and Placement

Personnel Training and Development

The year was highlighted with the appointment of Dr. Joel C. Yu as Chief Regulator on 1 July 2014. The appointment was approved by the Board of Trustees through its Resolution No. 2014-054-RO, pursuant to the authority vested on them under Article II of the MWSS By-Laws and Article XI of the Concession Agreement.

Dr. Yu is an Associate Professor of the Cesar E. A. Virata School of Business of the University of the Philippines (UP) Diliman. He graduated with a degree in Bachelor of Arts in Economics from UP. He took his Master of Science in Industrial Economics at the Center for Research and Communication (CRC), now known as the University of Asia and the Pacific, and Ph.D. in Business Administration from UP Diliman. Eleven new personnel and three promotional appointments were also made, which allowed the Regulatory Office to meet its operational requirements and fulfill its undertakings under its agreed Performance Scorecard with the GCG.

The Regulatory Office’s Training Plan for the year was developed to address the one-personnel-one-training intervention per year and to respond to the training requirements of the different Regulation Areas. Designed to be consistent with the Regulatory Office Career Development Plan, 22 training programs were implemented for Executive and Managerial Development, for Professional Training, and for Values Education. In total, 55 of all 58 employees or 94.83% of the Regulatory Office’s personnel received training. This was a significant boost in training attendance from the previous years, where just over half of the staff benefitted from training.

Putting a premium on the values of employees and their commitment to public service, the Department engaged the services of the Civil Service Commission to conduct a course on Public Service Ethics and Accountability, held in two batches on 27 to 28 November 2014 and on 4 to 5 December 2014 at the Aberdeen Court in Quezon City.

The Department also organized a Planning and Team Building activity on 17 to 18 October 2014 to allow newly hired personnel and the rest of the Regulatory Office family to develop camaraderie. Here, the Chief Regulator also presented the 2015 Performance Scorecard that was negotiated between the Regulatory Office and the Governance Commission for GOCCs.

TRAINING AND DEVELOPMENT PROGRAMS

Category	Number of Training Programs	Number of Attendees
Executive and Managerial	9	21
Professional	12	28
Values Education	1	51

EMPLOYEES TRAINED

Year	Number of Employees	Number of Employees Trained	Percentage of Employees Trained in %
2010	63	25	39.68
2011	62	27	43.54
2012	54	35	64.81
2013	52	28	53.84
2014	58	55	94.83





An old tunnel near the Angat Dam

# Legal Affairs

## Assistance During Arbitration

As the legal arm of the Regulatory Office, Legal Affairs provided support during the arbitration proceedings in the cases entitled *UNC141/CYK: Maynilad vs MWSS and the Regulatory Office* and *UNC136/CYK: Manila Water vs. MWSS and the Regulatory Office*, serving as resource persons and witnesses before the Appeals Panel at the International Court of Arbitration in Singapore.

## Other Activities

**Preparation and filing of documents.** Legal Affairs continued to perform its regular functions of preparing letters, memorandums, legal opinions, and other documents for the Regulatory Office and other government agencies, including the Bureau of Treasury, the Civil Service Commission, the Commission on Audit, the Department of Budget and Management, and the Governance Commission for GOCCs.

These include the preparation and filing of a Petition for Review to appeal disallowances before the Commission on Audit, of Comments to Audit Observation Memorandums and Queries, and of Appeals regarding disapproved appointments and other communications to the Civil Service Commission. The Department also assisted in the development of the *Concession Accounting and Audit Guidelines Conceptual Framework* and the *Rules of Procedure in Handling Customer Complaints*.

**Assistance to other Departments.** As the legal adviser to the Regulatory Office, Legal Affairs helped review all the documents prepared by the other Regulation Areas. They also performed various functions as directed by the Chief Regulator, the Deputy Administrators, and the Board of Trustees, as well as the Corporate Office.



The MWSS Regulatory Office Employees

# Corporate Profile

Following privatization, the Metropolitan Waterworks and Sewerage System (MWSS) created the Regulatory Office as a regulatory body, operationally independent from the Corporate Office. It was formally established in August 1997 when the Concession Agreements signed between MWSS and its two Concessionaires, Maynilad Water Services, Inc. for the West Zone and Manila Water Company, Inc. for the East Zone, took effect.

Mandated to monitor the compliance of Concessionaires with their service obligations under the Concession Agreements, the Regulatory Office is responsible for regulating all aspects of the privatized water supply and sewerage system within all of Metro Manila, the entire province of Rizal, and parts of Cavite (the cities of Cavite, Bacoor and Imus, and the towns of Kawit, Noveleta and Rosario) and Bulacan (the city of Meycauayan and the town of Obando). Its functions include reviewing, monitoring and enforcing water rates and service standards, performing regular independent audits on the performance of the Concessionaires, monitoring the condition of infrastructure assets, and handling customer complaints.

The Regulatory Office functions as a five-panel body composed of the Chief Regulator who has overall responsibility for the operations of the Office, and four other Regulators who are in charge of one of the four regulation areas, Technical, Customer Service, Financial, and Administration and Legal Affairs. With this setup, all actions and decisions by the Regulatory Office regarding substantive matters affecting the Concession Agreement require a majority vote of three members.

## Our Vision

By 2020, an independent and internationally recognized Regulatory Office that protects, promotes, and fulfills the rights of the consuming public to safe, adequate, affordable, and reliable water supply and an environment-friendly sewerage system.

## Core Values

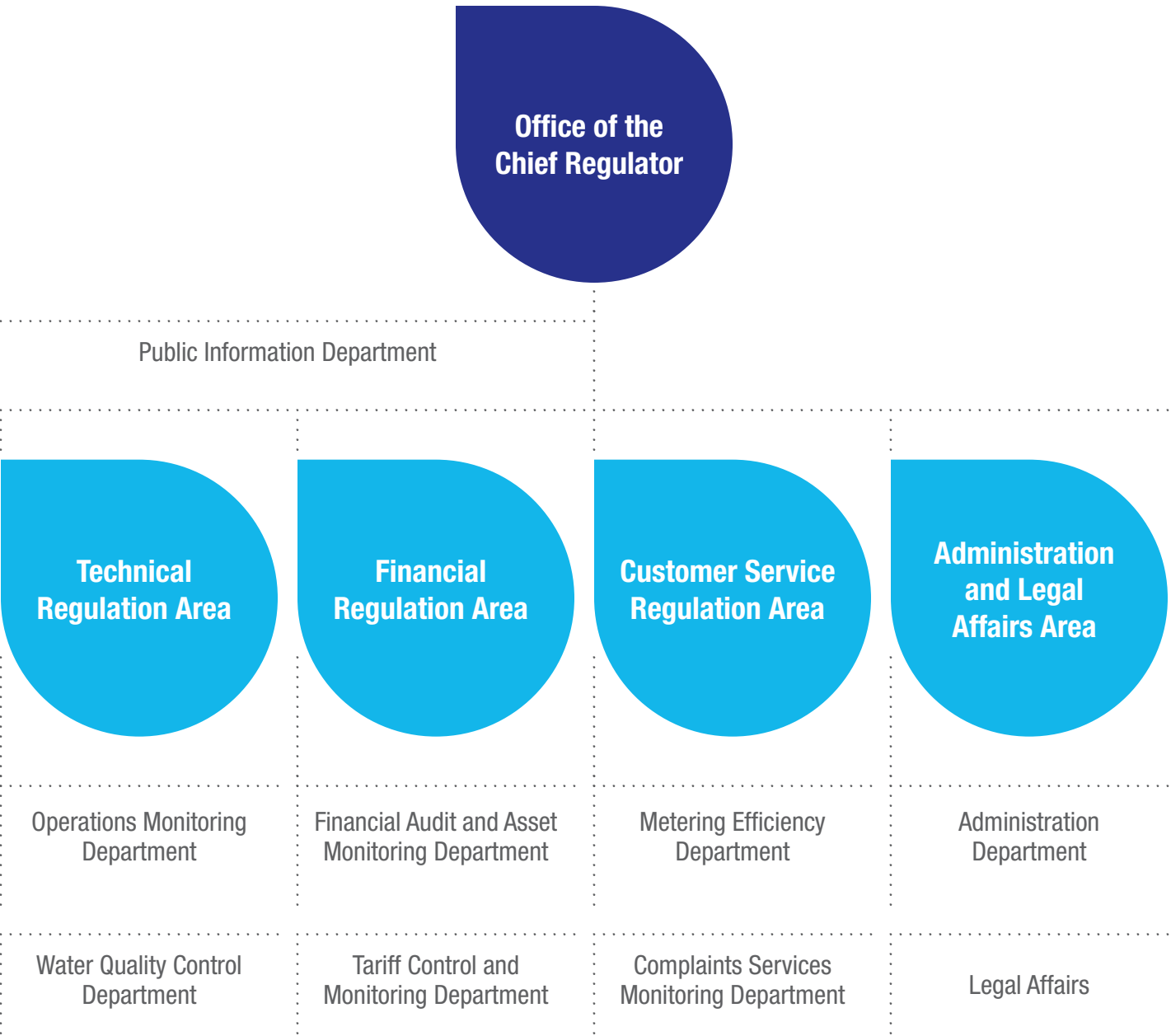
- Patriotism.** We love our country. We serve to promote its common good.
- Integrity and Professionalism.** We work with honor and excellence.
- Participatory Governance.** We value the collective ideas of everyone.
- Transparency and Accountability.** We provide timely and accurate reports to our stakeholders.

## Our Mission

- For Metro Manila and its adjacent towns, the Regulatory Office, through effective regulation, is committed to:
- Monitor compliance of the Concessionaires with contractual obligations
  - Monitor performance of the Concessionaires in providing adequate access to clean, potable, and affordable water
  - Monitor and enforce standards of service in the Concessionaires' delivery of water supply, water quality, and sewerage sanitation services, as well as ensure that such services fully cover their respective areas of operation
  - Ensure prudence and efficiency in the implementation of the Business Plans of the Concessionaires, and in doing so, deliver affordable tariffs that will support the long-term water security program and environment-friendly sewerage system for all covered areas

# Organizational Structure

## Regulation Areas



MWSS Regulatory Office  
3rd Floor, Engineering Building  
MWSS Complex  
489 Katipunan Road, Balara  
1105 Quezon City, Metro Manila

Contact Numbers  
Office of the Chief Regulator 435 8900  
Technical Regulation Area 435 8904  
Customer Service Regulation Area 435 8903  
Financial Regulation Area 435 8901  
Administration and Legal Affairs 435 8902

[ro.mwss.gov.ph](http://ro.mwss.gov.ph)