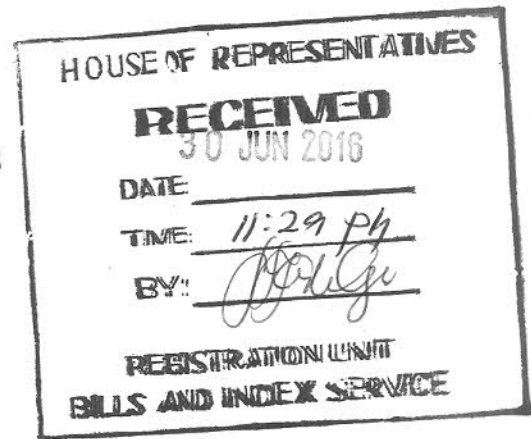


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 703



Introduced by Hon. SANDRA Y. ERIGUEL, M.D.

EXPLANATORY NOTE

This Bill, which was previously filed in the 16th Congress, seeks to condone the unpaid balance of the loan, including interests and penalties thereon, secured by the Agoo Water District (AWAD) from the Local Water Utilities Administration (LWUA) and used by AWAD for its system rehabilitation.

The Agoo Water District (AWAD) started its operations on May 6, 1988 and, by 1990, total concessionaires reached 960 service connections or 12% of the total household population of Agoo, La Union. Water supply was generated through the construction of five (5) wells. On July 16, 1990, a 7.8 magnitude earthquake struck Luzon causing extensive damage including the water source and facilities of AWAD. Since then, service connections declined due to inadequate and poor quality of water supply. As of July 2013, AWAD is operating with only 138 active connections or a mere 1% of the current households of 13,700 and has only two (2) existing wells in operation as the three (3) other wells were affected by massive salt water intrusion caused by the 1990 earthquake.

AWAD tried to resuscitate its operations by drawing various loans from LWUA. AWAD has now incurred an outstanding liability in the amount of P3,441,360.85 and loan obligations secured from LWUA which already amount to P20,639,621.31 or a total amount of P24,080,982.25 which, under present operations, AWAD can no longer pay. Per Commission on Audit (COA) Annual Audit Report for calendar year ended

December 31, 2013, AWAD has only P12,213.46 cash-in-bank and its average monthly connections is P50,000.00. These amounts are insufficient to cover its operating expenses, not counting its expenses on salaries.

According to Section 45 of Presidential Decree No. 198 or the Provincial Water Utilities Act of 1973, a water district may be dissolved by resolution of its board members provided, however, that prior to the adoption of any such resolution:

- “(1) another public entity has acquired the assets of the district and has assumed all obligations and liabilities attached thereto;
- (2) all bondholders and other creditors have been notified and they consent to said transfer and dissolution; and
- (3) a court of competent jurisdiction has found that said transfer and dissolution are in the best interest of the public.”

In the case of AWAD, the Municipality of Agoo is the said public entity that will acquire the assets, obligations, and liabilities of the Water District should it be dissolved in the future. On the other hand, the Municipality has no capacity to pay for a loan amounting to more than P24,000,000.00 – a very large amount that may be used for more pressing current problems such as education, social services or better yet, a new water system provider that can provide cleaner, safer water for the people of Agoo and even the nearby areas.

It is incumbent upon this Representation to provide for a more efficient water system to the municipalities under my jurisdiction but this could not be possible if these LGU's will be burdened with debts outside of their responsibility. In the end, it is our people that will suffer. Hence, the passage of this measure is urgently sought.



SANDRA Y. ERIGUEL, M.D.

Second District, La Union

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 703

Introduced by Hon. SANDRA Y. ERIGUEL, M.D.

AN ACT
CONDONING THE UNPAID BALANCE OF THE LOAN, INCLUDING
INTERESTS AND PENALTIES THEREON, SECURED BY THE AGOO WATER
DISTRICT (AWAD) FROM THE LOCAL WATER UTILITIES
ADMINISTRATION (LWUA) AND USED BY AWAD FOR ITS SYSTEM
REHABILITATION

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Condonation of Loans.* – The unpaid balance in the amount of Twenty Six Million, Two Hundred Twenty Two Thousand, Four Hundred Forty Two Pesos and Forty Three Centavos (Php 26,222,442.43) of the loan secured by the Agoo Water District (AWAD) used entirely for its system rehabilitation and operational assistance, including interest and penalties thereon, is hereby condoned and thereby forever release AWAD from the payment thereof.

SEC. 2. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

Approved,