



Republic of the Philippines
Supreme Court
 Manila

THIRD DIVISION

**POWER SECTOR ASSETS AND
 LIABILITIES MANAGEMENT
 CORPORATION (PSALM),**
 Petitioner,

G.R. No. 205193

Present:

-versus-

LEONEN, *Chairperson*,
 HERNANDO,
 INTING,
 ROSARIO*, and
 LOPEZ, J.Y., *JJ.*

**FELISA AGRICULTURAL
 CORPORATION, NATIONAL
 POWER CORPORATION,
 NATIONAL TRANSMISSION
 CORPORATION, NATIONAL
 GRID CORPORATION, and
 MANILA ELECTRIC COMPANY,**
 Respondents.

**Promulgated:
 July 5, 2021**

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DECISION

LEONEN, J.:

This resolves the Petition for Review on Certiorari assailing the Decision¹ and Resolution² of the Court of Appeals. The Court of Appeals found no grave abuse of discretion in the issuance of a Writ of Execution

* Designated additional Member per Special Order No. 2833.

¹ *Rollo*, pp. 50–61. The July 16, 2012 Decision in CA-G.R. SP No. 06680 was penned by Associate Justice Gabriel T. Ingles and concurred in by Associate Justices Pampio A. Abarintos and Melchor Q. C. Sadang of the Eighteenth Division, Court of Appeals, Cebu City.

² *Id.* at 64–65. The December 21, 2012 Resolution in CA-G.R. SP No. 06680 was penned by Associate Justice Gabriel T. Ingles and concurred in by Associate Justices Pampio A. Abarintos and Edgardo L. Delos Santos of the Special Former Eighteenth Division, Court of Appeals, Cebu City.

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against the National Power Corporation, the Power Sector Assets and Liabilities Management Corporation (PSALM), and the National Transmission Corporation for the payment of the provisional amount of just compensation to Felisa Agricultural Corporation.

The National Power Corporation was created in 1936 to develop and generate hydroelectric power as well as power from other sources to transmit, distribute, and supply of electricity to the inhabitants of the Philippines.³ For this purpose, the National Power Corporation was empowered, among others, to construct, operate, and maintain power plants and transmission lines.⁴

In 1971, the National Power Corporation's corporate life was extended by virtue of Republic Act No. 6395,⁵ with its generation, transmission, and distribution functions essentially retained.⁶ Specifically, it

³ Commonwealth Act No. 120 (1936), sec. 1.

⁴ Commonwealth Act No. 120 (1936), sec. 2(g).

⁵ Republic Act No. 6395 (1971), sec. 1, amending sec. 2 of the Charter of the National Power Corporation provides:

SECTION 1. The Charter of the National Power Corporation is hereby revised, and shall henceforth read as follows:

....

Sec. 2. *The National Power Corporation; Its Corporate Life; 'Corporation' and 'Board' Defined.* — To carry out the above-stated policy, specifically to undertake the development of hydroelectric generation of power and the production of electricity from nuclear, geothermal and other sources, as well as the transmission of electric power on a nationwide basis, the public corporation created under Commonwealth Act Numbered One hundred twenty and known as the 'National Power Corporation' shall continue to exist for fifty years from and after the expiration of its present corporate existence.

In the pursuit of its objectives, the Corporation shall, as far as feasible, spread the benefits of its projects and operations to the greatest number of the population possible, and the Corporation shall prosecute faithfully such projects as will promote the total electrification of Luzon Islands, Visayan Islands and the Mindanao Islands.

The words 'Corporation' and 'Board' appearing in this Act shall respectively refer to the National Power Corporation and the National Power Board.

⁶ Republic Act No. 6395 (1971), sec. 1, amending secs. 1 and 3(g) of the Charter of the National Power Corporation provides:

SECTION 1. The Charter of the National Power Corporation is hereby revised, and shall henceforth read as follows:

Sec. 1. *Declaration of Policy.* — Congress hereby declares that (1) the comprehensive development, utilization and conservation of Philippine water resources for all beneficial uses, including power generation, and (2) the total electrification of the Philippines through the development of power from all sources to meet the needs of industrial development and dispersal and the needs of rural electrification are primary objectives of the nation which shall be pursued coordinately and supported by all instrumentalities and agencies of the government, including its financial institutions.

....

Sec. 3. *Powers and General Functions of the Corporation.* — The powers, functions, rights and activities of the Corporation shall be the following:

....

(g) To construct, operate and maintain power plants, auxiliary plants, dams, reservoirs, pipes, mains, transmission lines, power stations and substations, and other works for the purpose of developing hydraulic power from any river, creek, lake, spring and waterfall in the Philippines and supplying such power to the inhabitants thereof; to acquire, construct, install, maintain, operate, and improve gas, oil, or steam engines, and/or other prime movers, generators and machinery in plants and/or auxiliary plants for the production of electric power; to establish, develop, operate, maintain and administer power and lighting systems for the transmission and utilization of its power generation; to sell electric power in bulk to (1) industrial enterprises, (2) city, municipal or provincial systems and other government institutions, (3) electric cooperatives, (4) franchise holders, and (5) real estate subdivisions: Provided, That the sale of power in bulk to industrial enterprises and real estate subdivisions may be undertaken by the Corporation when the power requirement of such enterprises or real estate subdivisions is not less than 100 kilowatts, when in the judgment of the Public Service

retained its power to exercise the right of eminent domain to carry out its corporate purpose.⁷

On January 11, 2001, Felisa Agricultural Corporation commenced inverse condemnation proceedings against the National Power Corporation, alleging that the latter had failed to pay just compensation despite occupying its property since 1978.⁸ The case, entitled *Felisa Agricultural, Corp., represented by its President Mrs. Reynalda Sayson vs. National Power Corporation*, was filed before the Regional Trial Court of Bacolod City and was docketed as Civil Case No. 01-11356.⁹

In the meantime, on June 8, 2001, Congress enacted Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA). From the formerly vertically integrated electric power industry, with the National Power Corporation exercising monopoly power, the EPIRA created two corporations, the National Transmission Commission or TRANSCO, and the Power Sector Assets and Liabilities Management Corporation or PSALM, to take over some of the National Power Corporation's functions.

TRANSCO assumed the electrical transmission functions of the National Power Corporation. In particular, it assumed the authority and the responsibility of the National Power Corporation for the planning, construction and centralized operation and maintenance of its high voltage transmission facilities, including grid interconnections and ancillary services.¹⁰ For this reason, TRANSCO was expressly given the power to exercise eminent domain subject to the requirements of the Constitution and existing laws.¹¹

As for PSALM, it took ownership of all existing National Power Corporation generation assets, liabilities, independent power producer (IPP) contracts, real estate and all other disposable assets.¹² It also assumed

Commission the franchise holder is not in a position or fails or refuses to adequately supply such power requirement, unless the franchise holder consents thereto: Provided, further, That the Corporation shall continue to sell electricity to industrial enterprises under existing contracts; and provide for the collection of the charges for any service rendered[.]

⁷ Republic Act No. 6395 (1971), sec. 1, amending sec. 3(j) of the Charter of the National Power Corporation provides:

SECTION 1. The Charter of the National Power Corporation is hereby revised, and shall henceforth read as follows:

Sec. 3. *Powers and General Functions of the Corporation.* — The powers, functions, rights and activities of the Corporation shall be the following:

....

(j) To exercise the right of eminent domain for the purpose of this Act in the manner provided by law for instituting condemnation proceedings by the national, provincial and municipal governments[.]

⁸ *Rollo*, p. 675. Comment of Felisa Agricultural Corporation, paragraph 7.1.

⁹ *Id.* at 51.

¹⁰ Republic Act No. 9136 (2001), sec. 8.

¹¹ Republic Act No. 9136 (2001), sec. 8.

¹² Republic Act No. 9136 (2001), sec. 49.

transmission-related liabilities of the National Power Corporation¹³ as well as all outstanding obligations of the National Power Corporation arising from loans, issuances of bonds, securities, and other instruments of indebtedness.¹⁴ PSALM likewise wholly owns TRANSCO.¹⁵

On February 8, 2008, pursuant to Section 21¹⁶ of the EPIRA, PSALM, TRANSCO, and private corporation National Grid Corporation of the Philippines entered into a Concession Agreement, whereby, the National Grid Corporation of the Philippines, as concessionaire, took over the operation and maintenance of the transmission assets of TRANSCO.¹⁷ The corporations agreed to a concession period of 25 years.¹⁸ The National Grid Corporation subsequently obtained its congressional franchise on December 1, 2008 through the enactment of Republic Act No. 9511.

On May 7, 2010, in the inverse condemnation case,¹⁹ the Regional Trial Court Branch 49, Bacolod, ordered²⁰ defendant National Power Corporation to pay Felisa Agricultural Corporation the provisional value of ₱7,845,000.00 in accordance with the provisions of Republic Act No. 8974,²¹ otherwise known as An Act to Facilitate the Acquisition of Site or Location for National Government Infrastructure Projects and for Other

¹³ Republic Act No. 9136 (2001), sec. 8.

¹⁴ Republic Act No. 9136 (2001), sec. 49.

¹⁵ Republic Act No. 9136 (2001), sec. 8.

¹⁶ Republic Act No. 9136 (2001), sec. 21 provides:

SECTION 21. *TRANSCO Privatization.* — Within six (6) months from the effectivity of this Act, the PSALM Corp. shall submit a plan for the endorsement by the Joint Power Commission and the approval of the President of the Philippines. The President of the Philippines thereafter shall direct PSALM Corp. to award, in open competitive bidding, the transmission facilities, including grid interconnections and ancillary services to a qualified party either through an outright sale or a concession contract. The buyer/concessionaire shall be responsible for the improvement, expansion, operation, and/or maintenance of its transmission assets and the operation of any related business. The award shall result in maximum present value of proceeds to the national government. In case a concession contract is awarded, the concessionaire shall have a contract period of twenty-five (25) years, subject to review and renewal for a maximum period of another twenty-five (25) years.

In any case, the awardee shall comply with the Grid Code and the TDP as approved. The sale agreement/concession contract shall include, but not limited to, the provision for performance and financial guarantees or any other covenants which the national government may require. Failure to comply with such obligations shall result in the imposition of appropriate sanctions or penalties by the ERC.

The awardee shall be financially and technically capable, with proven domestic and/or international experience and expertise as a leading transmission system operator. Such experience must be with a transmission system of comparable capacity and coverage as the Philippines.

¹⁷ Concession Agreement of the PSALM Corp., TRANSCO, and the National Grid Corporation of the Philippines, paragraph 2.01.

¹⁸ Concession Agreement of the PSALM Corp., TRANSCO, and the National Grid Corporation of the Philippines, paragraph 1 on the definition of “Full Term Expiration Date.”

¹⁹ Civil Case No. 01-11356.

²⁰ *Rollo*, p. 51.

²¹ Republic Act No. 8974 (2000), sec. 4(a) provides:

SECTION 4. *Guidelines for Expropriation Proceedings.* — Whenever it is necessary to acquire real property for the right-of-way, site or location for any national government infrastructure project through expropriation, the appropriate implementing agency shall initiate the expropriation proceedings before the proper court under the following guidelines:

(a) Upon the filing of the complaint, and after due notice to the defendant, the implementing agency shall immediately pay the owner of the property the amount equivalent to the sum of (1) one hundred percent (100%) of the value of the property based on the current relevant zonal valuation of the Bureau of Internal Revenue (BIR); and (2) the value of the improvements and/or structures as determined under Section 7 hereof[.]

Purposes.²² The National Power Corporation, on certiorari, questioned the May 7, 2010 Order before the Court of Appeals, but the petition was dismissed for having been filed out of time.²³

Felisa Agricultural Corporation thus filed on August 8, 2011 a Motion for Issuance of Writ of Execution against the National Power Corporation, TRANSCO, and PSALM for the payment of the provisional amount due to it. In impleading TRANSCO and PSALM, Felisa Agricultural Corporation contended that the two corporations were the transferees of the properties of the National Power Corporation pursuant to the EPIRA; hence, they are liable for the provisional amount of just compensation payable to it.²⁴

On February 10, 2012, the trial court ordered the issuance of a Writ of Execution against the National Power Corporation, TRANSCO, and PSALM.

Accordingly, let a Writ of Execution be issued on defendant NPC and its assignees TRANSCO and PSALM regarding the Order of the Court dated May 7, 2010 ordering defendants and its assignees to compensate plaintiff the sum of SEVEN MILLION EIGHT HUNDRED FORTY FIVE THOUSAND PESOS (P7,845,000.00), Philippine Currency.

SO ORDERED.²⁵

A Writ of Execution was then issued by Bacolod Regional Trial Court Clerk of Court Nora Amisola-De la Paz on February 20, 2012. Notices of Garnishment were then issued by Sheriff Ric G. Deypalobos against the funds and properties of PSALM with the National Grid Corporation of the Philippines and Manila Electric Company (Meralco).²⁶

Alleging grave abuse of discretion on the part of Clerk of Court Amisola-De la Paz and Sheriff Deypalobos in issuing the February 20, 2012 Writ of Execution, and Notices of Garnishment, PSALM filed before the Court of Appeals a Petition for Certiorari²⁷ with urgent prayer for the issuance of a Temporary Restraining Order and/or Preliminary Mandatory Injunction.

The Court of Appeals, in an April 17, 2012 Resolution, granted PSALM's application and issued a 60-day Temporary Restraining Order

²² The validity of payment of the provisional value based on Republic Act No. 8974 was upheld by this Court in *Felisa Agricultural Corporation v. National Transmission Corporation*, 834 Phil. 861 (2018) [Per J. Perlas-Bernabe, Second Division].

²³ *Rollo*, p. 51.

²⁴ *Id.*

²⁵ *Id.* at 52.

²⁶ *Id.*

²⁷ *Id.* at 82–121.

(TRO) to enjoin the implementation of the February 10, 2012 Order and Writ of Execution.²⁸ However, in its July 16, 2012 Decision²⁹ the Court of Appeals lifted the TRO and dismissed PSALM's Petition for Certiorari.

The Court of Appeals held that liability for just compensation payable to Felisa Agricultural Corporation ultimately belonged to PSALM. According to the Court of Appeals, just compensation to owners of properties traversed by transmission lines are considered transmission and subtransmission-related liabilities of the National Power Corporation which, under Section 8 of the EPIRA, were transferred to PSALM. It added that while TRANSCO assumed the authority and responsibility over the planning, construction and centralized operation and maintenance of high voltage transmission facilities, the EPIRA does not impose on it the responsibility for any liability for operating these transmission facilities. This is why, under the EPIRA, TRANSCO is wholly owned by PSALM.³⁰

Furthermore, the Court of Appeals opined that PSALM, by operation of law, became the owner of some properties of the National Power Corporation. Therefore, it was immaterial that PSALM was not impleaded as a defendant in the inverse condemnation case and the Writ of Execution may still be implemented against it.³¹

As to the general rule that government-owned assets are beyond the reach of execution, the Court of Appeals held that the rule has exceptions, among them being funds belonging to government-owned and controlled corporations (GOCCs). Considering that GOCCs such as PSALM have the power to sue and be sued, their properties can be the subject of execution.³²

Finally, the Court of Appeals found that the facts and issues of the present case are identical to *PSALM v. The Honorable RTC Br. 48, et al.*,³³ a case filed before this Court in 2011. The case likewise involved a Petition for Certiorari, albeit directly filed before this Court, to challenge a writ of execution issued by the Bacolod Regional Trial Court, this time, Branch 48. Just like in the present case, the writ was issued against PSALM for the payment of just compensation for properties expropriated by the National Power Corporation.³⁴

The 2011 case was dismissed by this Court through a minute resolution for "failure to show any grave abuse of discretion in rendering the challenged order and writ of execution which, on the contrary appear to be

²⁸ Id. at 52.

²⁹ Id. at 50–61.

³⁰ Id. at 56–57.

³¹ Id. at 57.

³² Id. at 57–59.

³³ Id. at 16. G.R. No. 196550, May 30, 2011.

³⁴ Id. at 60.



in accord with the facts and the applicable law and jurisprudence.”³⁵ Conceding that minute resolutions are not binding precedent, the Court of Appeals nevertheless “drew guidance”³⁶ from the resolution. Ultimately, the Court of Appeals found no grave abuse of discretion in the issuance of the Writ of Execution and Notices of Garnishment.

The dispositive portion of the Court of Appeals’ July 16, 2012 Decision reads:

WHEREFORE, finding no grave abuse of discretion on the part of respondents, the instant petition is hereby **DISMISSED** for lack of merit. The assailed Order and Writ of Execution are hereby **AFFIRMED**. Consequently, the Temporary Restraining Order previously issued by this Court is hereby **LIFTED**.

SO ORDERED.³⁷ (Emphasis in the original)

PSALM filed a Motion for Reconsideration, which the Court of Appeals denied in the Resolution³⁸ dated December 21, 2012.

This Petition for Review on Certiorari³⁹ was filed by PSALM on March 4, 2013. It then filed an Urgent Motion⁴⁰ for Issuance of a Temporary Restraining Order (TRO) and/or Injunction, which this Court granted on June 5, 2013.⁴¹ The TRO,⁴² which was “effective immediately and continuing until further orders from this Court,”⁴³ enjoined the Bacolod City Regional Trial Court, Branch 49, its agents, representatives, and all persons acting in its place or stead from implementing the Writ of Execution and garnishing PSALM’s assets with the National Grid Corporation of the Philippines and Meralco.

Upon the directive⁴⁴ of this Court, Felisa Agricultural Corporation,⁴⁵ the National Power Corporation,⁴⁶ TRANSCO,⁴⁷ the National Grid Corporation of the Philippines,⁴⁸ and Meralco⁴⁹ filed their respective

³⁵ Id.

³⁶ Id.

³⁷ Id. at 60–61.

³⁸ Id. at 605–606.

³⁹ Id. at 10–42.

⁴⁰ Id. at 636–641.

⁴¹ Id. at 648–649.

⁴² Id. at 650–652.

⁴³ Id. at 651.

⁴⁴ Id. at 634. April 15, 2013 Resolution.

⁴⁵ Id. at 671–682.

⁴⁶ Id. at 821–836.

⁴⁷ Id. The National Power Corporation and TRANSCO jointly filed their Comment.

⁴⁸ Id. at 742–754.

⁴⁹ Id. at 870–880.

Comments. PSALM then filed its Consolidated Reply⁵⁰ and Supplement to the Consolidated Reply.⁵¹

PSALM maintains that it is not liable for right-of-way claims involving transmission assets. Instead, TRANSCO is the one liable to pay for the provisional just compensation to Felisa Agricultural Corporation. PSALM contends that the Court of Appeals “gravely misunderstood the facts of the case,”⁵² disregarding the Concession Agreement⁵³ between TRANSCO and PSALM, on the one hand, and the National Grid Corporation of the Philippines, on the other, where the three corporations agreed that the settlement of right-of-way claims are for the account of TRANSCO.

PSALM likewise cites an Authority to Purchase annexed to a motion filed by the National Power Corporation in the inverse condemnation case. This Authority to Purchase was issued by TRANSCO’s Right-of-Way Task Force, where Felisa Agricultural Corporation agreed to sell its properties, while TRANSCO agreed to buy the properties “at the current BIR zonal value of P400.00 per square meter.”⁵⁴ These allegations, PSALM points out, were never controverted by TRANSCO. As such, TRANSCO should be deemed bound by these allegations.

PSALM adds that garnishing its funds with the National Grid Corporation of the Philippines and Meralco violates the rule that a writ of execution may only be implemented against a party to the case.⁵⁵ PSALM highlights that it is not a party to the inverse condemnation case.⁵⁶ It is a corporation separate and distinct from the National Power Corporation and TRANSCO.⁵⁷ Furthermore, the liabilities it assumed under the EPIRA only include those pertaining to generation assets, not transmission assets, the latter being for the account of TRANSCO.⁵⁸ Therefore, to make its properties answerable for the liabilities of TRANSCO, a separate and distinct entity, is to deprive it of due process of law.⁵⁹

⁵⁰ Id. at 895–905.

⁵¹ Id. at 909–924.

⁵² Id. at 21.

⁵³ Concession Agreement of the PSALM Corp., TRANSCO, and the National Grid Corporation of the Philippines, sec. 5.08 provides:

Section 5.08 TRANSCO-Retained Obligations. TransCo shall be liable for the following:

....

(c) claims relating to existing rights of way whose cause of action accrued prior to Commencement Date, provided that should the Concessionaire through any act or omission cause liability or claim to arise or be aggravated, it shall be liable for the incremental liability arising from such act or omission.

⁵⁴ *Rollo*, p. 22.

⁵⁵ Id. at 23–24.

⁵⁶ Id. at 23.

⁵⁷ Id. at 22–23. *See also* pp. 28–32.

⁵⁸ Id. at 26–28.

⁵⁹ Id. at 23.

Lastly, PSALM argues that its funds and properties constitute government funds which cannot be the subject of execution. Citing Presidential Decree No. 1445 or the Government Auditing Code, Felisa Agricultural Corporation must first file a claim for payment before the Commission on Audit.⁶⁰

For its part, Felisa Agricultural Corporation reiterates the finding of the Court of Appeals that the present Petition for Review on Certiorari is, in effect, a second appeal by PSALM on the issue of whether its funds can be garnished in satisfaction of the liabilities of the National Power Corporation involving transmission assets. The same issue was resolved in the affirmative via a minute resolution in *PSALM v. Regional Trial Court, Branch 48, Bacolod City*, G.R. No. 196550, where this Court denied the petition for review on certiorari “for failure to show any grave abuse of discretion in rendering the challenged order and writ of execution which, on the contrary, appear to be in accord with the facts and the applicable law and jurisprudence.”⁶¹ Felisa Agricultural Corporation emphasizes that in *PSALM*, a writ of execution was likewise issued against PSALM to satisfy a right-of-way claim involving transmission towers formerly owned by the National Power Corporation.⁶² Consequently, *PSALM* should be considered binding precedent.⁶³

Felisa Agricultural Corporation imputes malice and bad faith on the part of PSALM, theorizing that the latter took advantage of the possible unfamiliarity of the Court of Appeals with *PSALM v. Regional Trial Court, Branch 48, Bacolod City* because the case was dismissed through an unpublished minute resolution.⁶⁴ Felisa Agricultural Corporation thus prays for the denial of the Petition for Review on Certiorari and lifting of the Temporary Restraining Order against the payment of the provisional just compensation.

The National Power Corporation and TRANSCO jointly filed their Comment where they argue that all transmission and sub-transmission liabilities were assumed by PSALM. They concede that under the EPIRA, TRANSCO was conferred the authority and responsibility for the planning, construction, and centralized operation and maintenance of high voltage transmission facilities of the National Power Corporation. Still, the EPIRA does not provide that transmission-related liabilities will likewise be assumed by TRANSCO. Neither does the EPIRA provide that the National Power Corporation retained its transmission-related liabilities. In other words, the EPIRA only made TRANSCO the system operator of the

⁶⁰ Id. at 34–38.

⁶¹ Id. at 677.

⁶² Id. at 677–679. Comment of Felisa Agricultural Corporation.

⁶³ Id. at 679.

⁶⁴ Id. at 679–680.

transmission system, but the liabilities for its operation shall be borne by PSALM.⁶⁵

Even if it were true that TRANSCO is a separate corporate entity from PSALM, the National Power Corporation and TRANSCO emphasize that TRANSCO is wholly owned by PSALM. TRANSCO is even mandated to remit all of its profits to PSALM, and these profits form part of PSALM Corp.'s properties. The necessary conclusion is that the liabilities incurred by TRANSCO in operating the high transmission facilities, including right-of-way claims, are ultimately borne by PSALM.⁶⁶

Like Felisa Agricultural Corporation, the National Power Corporation and TRANSCO argue that 2011 case of *PSALM v. Regional Trial Court, Branch 48, Bacolod City*, G.R. No. 196550, dismissed by this Court via minute resolution, should be binding against PSALM.⁶⁷

However, the National Power Corporation and TRANSCO agree with PSALM that the latter's properties, being government properties, cannot be the subject of execution. They maintain that, pursuant to Presidential Decree No. 1445 or the Government Auditing Code, Felisa Agricultural Corporation must first file a claim with the Commission on Audit before it is paid the provisional just compensation.⁶⁸

As for the National Grid Corporation of the Philippines, it argues that it was incorrectly impleaded as respondent in the present Petition for Review on Certiorari. The National Grid Corporation of the Philippines admits that, as concessionaire, it succeeded TRANSCO in the operation of the transmission facilities pursuant to Republic Act No. 9511. Nevertheless, it disagrees that it assumed any transmission-related liabilities from TRANSCO. The National Grid Corporation maintains that it has a separate corporate personality and its assets are completely owned by it. With no indication as to which of its personal properties can be applied for the payment of right-of-way claims, the National Grid Corporation contends that it was deprived of due process when the Notice of Garnishment was issued to it.⁶⁹

The National Grid Corporation adds that the claim of Felisa Agricultural Corporation is a retained obligation of TRANSCO under Section 5.08 of their Concession Agreement, which provides that "claims relating to existing rights of way whose cause of action accrued prior to Commencement Date [of the Concession Agreement]" are for account of TRANSCO. Considering that that the transmission towers were constructed

⁶⁵ Id. at 827–828. Comment of National Power Corporation and TRANSCO.

⁶⁶ Id. at 828–829.

⁶⁷ Id. at 829.

⁶⁸ Id. at 829–834.

⁶⁹ Id. at 746–750. Comment of the National Grid Corporation of the Philippines.

on Felisa Agricultural Corporation's properties in 1985, the obligation accrued prior to the commencement date of the Concession Agreement in 2008.⁷⁰

The last to file its Comment was electricity distribution utility company Meralco, contending that, all throughout the entire proceedings, it has always acted in good faith. Specifically, in compliance with the Notices of Garnishment as well as the June 5, 2013 Temporary Restraining Order issued by this Court, it earmarked and kept in a separate account funds due to PSALM corresponding to the garnished amount.⁷¹ It argues that as garnishee, it has no duty to "inquire whether or not the order for execution of a judgment is valid."⁷² It would "thus defer the resolution of the legal issues brought by PSALM upon the sound discretion"⁷³ of this Court.

The issues for this Court's resolution are:

First, whether or not PSALM is liable for the payment of the provisional just compensation and right-of-way claims from owners of properties traversed by transmission towers constructed and formerly owned by the National Power Corporation;

Second, whether or not PSALM was deprived of due process when the Writ of Execution was issued against it despite not being a defendant in the inverse condemnation case; and

Lastly, whether or not the properties of PSALM can be the subject of execution.

The Petition for Review on Certiorari is granted.

I

To recall, the National Power Corporation constructed the transmission towers on the property of Felisa Agricultural Corporation sometime in 1978.⁷⁴ However, the order to pay the provisional just compensation was issued on May 7, 2010. At the time the order to pay the provisional just compensation was made, TRANSCO already owned the

⁷⁰ Id. at 752.

⁷¹ Id. at 876. Comment of Meralco.

⁷² Id. citing *Engineering Construction, Inc. v. National Power Corporation*, 246 Phil. 8 (1988) [Per J. Fernan, Third Division] and *Manila Electric Company v. Court of Appeals and the National Power Corporation*, 246 Phil. 8 (1988) [Per J. Fernan, Third Division].

⁷³ Id.

⁷⁴ *Rollo*, p. 768. Comment of Felisa Agricultural Corporation. According to the National Grid Corporation, however, the taking was done before 1985. *See rollo*, p. 752.



transmission towers pursuant to Section 8 of the EPIRA. Furthermore, under Section 8, the exercise of the power of eminent domain was expressly granted to TRANSCO:

SECTION 8. *Creation of the National Transmission Company. — There is hereby created a National Transmission Corporation, hereinafter referred to as TRANSCO, which shall assume the electrical transmission functions of the National Power Corporation (NPC), and have the powers and functions hereinafter granted.* The TRANSCO shall assume the authority and responsibility of NPC for the planning, construction and centralized operation and maintenance of its high voltage transmission facilities, including grid interconnections and ancillary services.

Within six (6) months from the effectivity of this Act, the transmission and subtransmission facilities of NPC and all other assets related to transmission operations, including the nationwide franchise of NPC for the operation of the transmission system and the grid, shall be transferred to the TRANSCO. The TRANSCO shall be wholly owned by the Power Sector Assets and Liabilities Management Corporation (PSALM Corp.)

The subtransmission functions and assets shall be segregated from the transmission functions, assets and liabilities for transparency and disposal: *Provided*, That the subtransmission assets shall be operated and maintained by TRANSCO until their disposal to qualified distribution utilities which are in a position to take over the responsibility for operating, maintaining, upgrading, and expanding said assets. All transmission and subtransmission related liabilities of NPC shall be transferred to and assumed by the PSALM Corp.

TRANSCO shall negotiate with and thereafter transfer such functions, assets, and associated liabilities to the qualified distribution utility or utilities connected to such subtransmission facilities not later than two (2) years from the effectivity of this Act or the start of open access, whichever comes earlier: *Provided*, That in the case of electric cooperatives, the TRANSCO shall grant concessional financing over a period of twenty (20) years: *Provided, however*, That the installment payments to TRANSCO for the acquisition of subtransmission facilities shall be given first priority by the electric cooperatives out of the net income derived from such facilities. The TRANSCO shall determine the disposal value of the subtransmission asset based on the revenue potential of such assets.

In case of disagreement in valuation, procedures, ownership participation and other issues, the ERC shall resolve such issues.

The take over by a distribution utility of any subtransmission asset shall not cause a diminution of service and quality to the end-users. Where there are two or more connected distribution utilities, the consortium or juridical entity shall be formed by and composed of all of them and thereafter shall be granted a franchise to operate the subtransmission assets by the ERC.



The subscription rights of each distribution utility involved shall be proportionate to their load requirements unless otherwise agreed by the parties.

Aside from the PSALM Corp., TRANSCO and connected distribution utilities, no third party shall be allowed ownership or management participation, in whole or in part, in such subtransmission entity.

The TRANSCO may exercise the power of eminent domain subject to the requirements of the Constitution and existing laws. Except as provided herein, no person, company or entity other than the TRANSCO shall own any transmission facilities.

Prior to the transfer of the transmission functions by NPC to TRANSCO, and before the promulgation of the Grid Code, ERC shall ensure that NPC shall provide to all electric power industry participants open and non-discriminatory access to its transmission system. Any violation thereof shall be subject to the fines and penalties imposed herein. (Emphasis supplied)

That TRANSCO succeeded the National Power Corporation in its transmission functions and concomitant eminent domain powers are reiterated in Rule 22 of the Implementing Rules and Regulations of the EPIRA, thus:

RULE 22

National Transmission Corporation (TRANSCO)

SECTION 1. *Creation of TRANSCO.* —

Pursuant to Section 8 of the Act, TRANSCO, which shall be wholly owned by PSALM, has been created to assume the transmission facilities of NPC, all other assets related to transmission operations, including nationwide franchise of NPC for the operation of the transmission system and the Grid, and to assume the electrical transmission functions of the NPC, including among others, the planning, construction and centralized Grid operation and maintenance of high voltage transmission facilities, Grid interconnections, ancillary and other allied facilities.

Pursuant to and in accordance with the requirements of the Act, NPC, PSALM and TRANSCO shall take such measures and execute such documents to effect the transfer of the ownership and possession of the transmission and subtransmission facilities of NPC and all other assets related to transmission operations. Upon such transfer, the nationwide franchise of NPC for the operation of the transmission system and the Grid shall transfer from NPC to TRANSCO.

....

SECTION 3. *Corporate Powers of the TRANSCO.* —

As a corporate entity, TRANSCO shall have the following corporate powers:



....

(k) The TRANSCO may exercise the power of eminent domain on behalf of itself, the Buyer or Concessionaire or any successor-in-interest thereto, subject to the requirements of the Constitution and other laws. Except as provided in the Act, no Person, company or entity other than TRANSCO shall own any transmission facilities.

Considering that TRANSCO already owned the transmission towers at the time the order to pay the provisional amount was made, not to mention that it succeeded the National Power Corporation in its eminent domain powers, the obligation pay the provisional just compensation to Felisa Agricultural Corporation necessarily fell on TRANSCO.

The present case is similar to *National Transmission Corporation v. Oroville Development Corporation*,⁷⁵ decided in 2017 by this Court *En Banc*. In *Oroville*, the property was taken in 1983 before the creation of TRANSCO in 2001. Nevertheless, TRANSCO, which succeeded the National Power Corporation in its transmission functions and eminent domain powers, was made liable for the payment of provisional amount of just compensation as well as the final just compensation, with the computation of the amount reckoned from 1983. The facts of *Oroville* are similar to the present case, where the property was taken before the enactment of the EPIRA, but the order to pay the provisional just compensation was made on May 17, 2010, after the EPIRA's enactment.

That TRANSCO is wholly owned by PSALM⁷⁶ does not make the latter liable for the payment of just compensation. As repeatedly argued by PSALM, it is a corporation separate and distinct from TRANSCO;⁷⁷ hence, its properties should only answer for its own liabilities, specifically those related to its principal purpose of “[managing] the orderly sale, disposition, and privatization of NPC generation assets, real estate and other disposable assets, and IPP contracts with the objective of liquidating all NPC financial obligations and stranded contract costs in an optimal manner.”⁷⁸ Furthermore, that PSALM receives “net profits”⁷⁹ from TRANSCO only means that whatever TRANSCO remits to PSALM should already be net of any expenses related to eminent domain functions, including payment of right-of-way claims.

It is true that Section 8 of the EPIRA provides that “[a]ll transmission and subtransmission related liabilities of NPC shall be transferred to and assumed by the PSALM Corp.” Nevertheless, when the EPIRA was enacted

⁷⁵ 815 Phil. 91 (2017) [Per J. Mendoza, En Banc].

⁷⁶ Republic Act No. 9136 (2001), sec. 8.

⁷⁷ See *General Credit Corporation v. Alsons Development and Investment Corporation*, 542 Phil. 219 (2007) [Per J. Garcia, First Division].

⁷⁸ Republic Act No. 9136 (2001), sec. 50.

⁷⁹ Republic Act No. 9136 (2001), sec. 18.

on June 8, 2001, there was still no transmission-related liability with respect to Felisa Agricultural Corporation. This liability became certain on May 7, 2010 when the Order to pay the provisional amount of ₱7,845,000.00 was issued. During this time, TRANSCO already owned the transmission towers that traversed the property of Felisa Agricultural Corporation.

Finally, *PSALM v. Regional Trial Court, Branch 48, Bacolod City*,⁸⁰ resolved via minute resolution, is not basis to find PSALM liable. A minute resolution cannot serve as binding precedent if different parties are involved in the previous and subsequent cases.⁸¹ In *PSALM*, the property taken was owned by Rafael Alunan Agro Development Corporation, Inc., Rosario M. Alunan, Rafael M. Alunan, Ma. Isabel A. Ongsingco, and Eduardo M. Alunan,⁸² Here, the property was taken from Felisa Agricultural Corporation.

All told, it is only TRANSCO, not PSALM, that is liable for the payment of the provisional just compensation to Felisa Agricultural Corporation.

II

Proceeding from our ruling that TRANSCO is solely liable for the payment of the provisional amount to Felisa Agricultural Corporation, this Court holds that PSALM was deprived of due process when the Writ of Execution was issued against it.

A writ of execution can only be issued against a party to the case and not against one who has not had its day in court. In *QBE Insurance Phils., Inc. v. Judge Laviña*:⁸³

[A] judgment cannot bind persons who are not parties to the action. It is elementary that strangers to a case are not bound by the judgment rendered by the court and such judgment is not available as an adjudication either against or in favor of such other person. A decision of a court will not operate to divest the rights of a person who has not and has never been a party to a litigation, either as plaintiff or as defendant. Verily, execution of a judgment can only be issued against one who is a party to the action, and not against one who, not being a party to the action, has not yet had his day in court. That execution may only be effected against the property of the judgment debtor, who must necessarily be a party to the case.

The writ of execution must conform to the judgment which is to be

⁸⁰ G.R. No. 196550, May 30, 2011.

⁸¹ *See Philhealth Care Providers, Inc. v. Commission on Internal Revenue*, 616 Phil. 387 (2012) [Per J. Corona, Special First Division].

⁸² *Rollo*, p. 633, Petition for Certiorari filed in *PSALM v. The Honorable Regional Trial Court (RTC) Branch 48*.

⁸³ 562 Phil. 355 (2007) [Per J. Chico-Nazario, En Banc].

executed, as it may not vary the terms of the judgment it seeks to enforce. Nor may it go beyond the terms of the judgment which is sought to be executed. Where the execution is not in harmony with the judgment which gives it life and exceeds it, it has *pro tanto* no validity. To maintain otherwise would be to ignore the constitutional provision against depriving a person of his property without due process of law.⁸⁴ (Citations omitted)

PSALM is obviously not the National Power Corporation, the defendant and judgment obligor in the inverse condemnation case. PSALM was not even impleaded as a defendant.

Assuming that the trial court issued the Writ of Execution against TRANSCO and PSALM on the assumption that they are the “assignees” of the National Power Corporation, the trial court should have only done so upon motion. Rule 3, Section 19 of the Rules of Court provides:

SECTION 19. *Transfer of interest.* – In case of any transfer of interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party.

None of the parties before this Court alleged that a motion for substitution of PSALM or TRANSCO as defendants were filed before the trial court before its Clerk of Court issued the Writ of Execution. With no such motion filed, it was error for the Clerk of Court to issue the writ against PSALM or TRANSCO as neither of them properly substituted the National Power Corporation as defendant.

While the transfer of interest by virtue of the EPIRA was by operation of law, substitution of parties cannot be automatic. PSALM has a corporate personality separate and distinct from National Power Corporation.⁸⁵ It cannot be automatically made liable especially when it was never made a party to the case and, therefore, was not given its day in court.

It follows that the garnishment of PSALM’s funds and properties with the National Grid Corporation and Meralco is likewise invalid. PSALM, not being a defendant in the inverse condemnation case, is not the judgment obligor for purposes of execution. Rule 39, Section 9(c) of the Rules of Court on the garnishment of debts and credits is clear that the garnishment must only be upon the debts owed by and the credits belonging to the judgment obligor.

SECTION 9. *Execution of judgments for money, how enforced.* – . . .

⁸⁴ Id. at 355–376.

⁸⁵ See *General Credit Corporation v. Alsons Development and Investment Corporation*, 542 Phil. 219 (2007) [Per J. Garcia, First Division].

....

(c) *Garnishment of debts and credits.* – *The officer may levy on debts due the judgment obligor and other credits, including bank deposits, financial interests, royalties, commissions and other personal property not capable of manual delivery in the possession or control of third parties.* Levy shall be made by serving notice upon the person owing such debts or having in his possession or control such credits to which the judgment obligor is entitled. The garnishment shall cover only such amount as will satisfy the judgment and all lawful fees.

The garnishee shall make a written report to the court within five (5) days from service of the notice of garnishment stating whether or not the judgment obligor has sufficient funds or credits to satisfy the amount of the judgment. If not, the report shall state how much funds or credits the garnishee holds for the judgment obligor. The garnished amount in cash, or certified bank check issued in the name of the judgment obligee, shall be delivered directly to the judgment obligee within ten (10) working days from service of notice on said garnishee requiring such delivery, except the lawful fees which shall be paid directly to the court.

In the event there are two or more garnishees holding deposits or credits sufficient to satisfy the judgment, the judgment obligor, if available, shall have the right to indicate the garnishee or garnishees who shall be required to deliver the amount due; otherwise, the choice shall be made by the judgment obligee.

The executing sheriff shall observe the same procedure under paragraph (a) with respect to delivery of payment to the judgment obligee. (Emphasis supplied)

Based on the foregoing, PSALM was correct in arguing that it was deprived of due process of law when the Writ of Execution and the Notice of Garnishment of its funds and properties were issued.

III

However, contrary to the argument of PSALM a claim with the Commission on Audit need not be made before Felisa Agricultural Corporation can be paid the provisional amount of just compensation due it.

It is true that, as a general rule, money claims against the government, including government-owned and controlled corporations, must first be filed with the Commission on Audit.⁸⁶ The Commission must then decide on the claim within 60 days from the time it was submitted for resolution.⁸⁷ A party aggrieved by the Commission on Audit's decision may appeal before this Court via petition for review on certiorari.⁸⁸

⁸⁶ Presidential Decree No. 1445 (1978), sec. 26.

⁸⁷ Presidential Decree No. 1445 (1978), sec. 49.

⁸⁸ Presidential Decree No. 1445 (1978), sec. 50.



This Court, recognizing that the rule is susceptible to circumvention, issued Administrative Circular 10-2000. Judges were enjoined to observe utmost caution, prudence and judiciousness in the issuance of writs of execution to satisfy money judgments against government agencies and local government units:

SUPREME COURT ADMINISTRATIVE CIRCULAR NO. 10-2000

TO : *All Judges of Lower Courts*

SUBJECT : *Exercise of Utmost Caution,
Prudence and
Judiciousness in the Issuance of
Writs of Execution to Satisfy Money
Judgments Against Government
Agencies and Local Government
Units*

In order to prevent possible circumvention of the rules and procedures of the Commission on audit, judges are hereby enjoined to observe utmost caution, prudence and judiciousness in the issuance of writs of execution to satisfy money judgments against government agencies and local government units.

Judges should bear in mind that in *Commissioner of Public Highways v. San Diego*, this Court explicitly stated:

The universal rule that where the State gives its consent to be sued by private parties either by general or special law, it may limit claimant's action 'only up to the completion of proceedings anterior to the stage of execution' and that the power of the Court ends when the judgment is rendered, since government funds and properties may not be seized under writs of execution or garnishment to satisfy such judgments, is based on obvious considerations of public policy. Disbursements of public funds must be covered by the corresponding appropriation as required by law. The functions and public services rendered by the State cannot be allowed to be paralyzed or disrupted by the diversion of public funds from their legitimate and specific objects, as appropriated by law.

Moreover, it is settled jurisprudence that upon determination of State liability, the prosecution, enforcement or satisfaction thereof must still be pursued in accordance with the rules and procedures laid down in P.D. No. 1445, otherwise known as the Government Auditing Code of the Philippines. All money claims against the Government must first be filed with the Commission on Audit which must act upon it within sixty days. Rejection of the claim will authorize the claimant to elevate the matter to the Supreme Court on certiorari and in effect sue the State thereby.

However, notwithstanding the rule that government properties are not subject to levy and execution unless otherwise provided for by statute or municipal ordinance, the Court has, in various instances, distinguished between government funds and properties for public use and those not



held for public use. Thus, *Viuda de Tan Toco v. Municipal Council of Iloilo*, the Court ruled that “[w]here property of a municipal or other public corporation is sought to be subjected to execution to satisfy judgments recovered against such corporation, the question as to whether such property is leviable or not is to be determined by the usage and purposes for which it is held.” The following can be culled from *Viuda de Tan Toco v. Municipal Council of Iloilo*:

1. Properties held for public uses — and generally everything held for governmental purposes — are not subject to levy and sale under execution against such corporation. The same rule applies to funds in the hands of a public officer and taxes due to a municipal corporation.
2. Where a municipal corporation owns in its proprietary capacity, as distinguished from its public or governmental capacity, property not used or used for a public purpose but for quasi private purposes, it is the general rule that such property may be seized and sold under execution against the corporation.
3. Property held for public purposes is not subject to execution merely because it is temporarily used for private purposes. If the public use is wholly abandoned, such property becomes subject to execution.

This Administrative Circular shall take effect immediately and the Court Administrator shall see to it that it is faithfully implemented.

Issued this 25th day of October 2000 in the City of Manila.
(Citations omitted)

But like any other rule, it has an exception. As elucidated in Administrative Circular 10-2000, the government owns properties either in its governmental or proprietary capacity. Properties held for public uses or for the administration of government⁸⁹ are absolutely exempt from execution. On the other hand, those held by the government in its proprietary, quasi-private, or otherwise “business-like”⁹⁰ capacity may be seized under execution.

TRANSCO is a government-owned and controlled corporation created to continue the National Power Corporation’s transmission and subtransmission functions. As for PSALM, it was created to continue the National Power Corporation’s electricity generation functions. These functions, while admittedly imbued with public interest, are nevertheless “purely private and commercial undertakings.”⁹¹ These functions do not involve the administration of government, no matter how greatly advantageous to the general interest of society.

⁸⁹ See *National Power Corporation v. City of Cabanatuan*, 449 Phil. 233 (2003) [Per J. Puno, Third Division].

⁹⁰ Id.

⁹¹ Id. at 257.

For these reasons, the properties and funds owned by TRANSCO and PSALM are held by them in their proprietary function. Consequently, their properties and funds are subject to execution, and their properties possessed or controlled by third persons may be the subject of garnishment. Specifically for this case, only TRANSCO's debts and credits in the possession of the National Grid Corporation of the Philippines and Meralco were properly garnished for the payment of the provisional amount to Felisa Agricultural Corporation. On the other hand, the garnishment of PSALM's funds with the National Grid Corporation of the Philippines and Meralco was improper and must accordingly be lifted.

WHEREFORE, the Petition for Review on Certiorari is **GRANTED**. The Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 06680 is **REVERSED** and **SET ASIDE**. The May 7, 2010 Order issued by the Regional Trial Court, Branch 49, Bacolod City in Civil Case No. 01-11356 is **SET ASIDE**, but only as against the Power Sector Assets and Liabilities Management Corporation. Furthermore, the Writ of Execution and the Notices of Garnishment issued against the funds and properties of the Power Sector Assets and Liabilities Management Corporation with the National Grid Corporation of the Philippines and Manila Electric Company are hereby **LIFTED**.

Finally, the June 5, 2013 Temporary Restraining Order issued by this Court is hereby **LIFTED**.


SO ORDERED.



MARVIC M.V.F. LEONEN
Associate Justice

WE CONCUR:


RAMON PAUL L. HERNANDO
 Associate Justice



HENRI JEAN PAUL B. INTING
 Associate Justice


RICARDO R. ROSARIO
 Associate Justice


JHOSEP LOPEZ
 Associate Justice

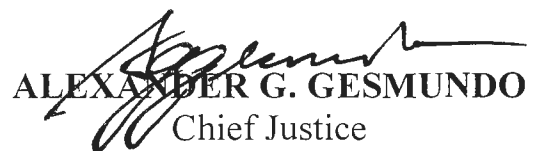
ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


MARVIC M.V.F. LEONEN
 Associate Justice
 Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
 Chief Justice