



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

HEIRS OF BENITA YANZON G.R. No. 255113
CIPRIANO, represented by MA.
DOROTHY ARLENE Present:
CIPRIANO,

Petitioners, GESMUNDO, C.J., Chairperson
HERNANDO,
ZALAMEDA,*
ROSARIO, and
MARQUEZ,** JJ.

-versus-

NATIONAL TRANSMISSION
CORPORATION (TRANSCO),
Respondent.

Promulgated:

AUG 06 2025

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DECISION

ROSARIO, J.:

Assailed in this Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court is the Decision² dated November 16, 2020 of the Court of Appeals (CA) in CA-G.R. CV No. 114206.

Factual Antecedents

On July 21, 2015, the heirs of Benita Yanzon Cipriano filed before the Regional Trial Court (RTC) of Legazpi City, Albay a Complaint³ for Inverse Condemnation Proceeding or Claim for Just Compensation (With Damages) against National Transmission Corporation (TransCo) as the successor of the

* On official business.

** On official business.

¹ Rollo, pp. 13-34.

² *Id.* at 37-52. The November 16, 2020 Decision in CA-G.R. CV No. 114206 was penned by Associate Justice Marlene B. Gonzales-Sison and concurred in by Associate Justices Pablito A. Perez and Florencio Mallanao Mamauag, Jr. of the Special Ninth Division, Court of Appeals, Manila.

³ RTC records, pp. 1-8.

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electrical transmission functions of the National Power Corporation (NPC) pursuant to Republic Act No. 9136.⁴ The heirs averred that NPC constructed high-tension transmission lines in Villahermosa, Daraga, Albay sometime in 1977. Two transmission lines traversed their parcels of land denominated as Lot Nos. 15870-B and 15939, without their consent and with no expropriation proceedings being initiated by the government. Despite a series of correspondence, the heirs' claim for just compensation remained unpaid.⁵

TransCo alleged that NPC's entry into the properties was based on the grant of right of way given by Trinidad P. Vda. De Yanzon (Trinidad), the predecessor-in-interest of the heirs, for a consideration of PHP 1,074.71 representing payment of easement fee, fees for pole and guy occupancies, and damaged improvements. TransCo stated that the claim was already barred by prescription and laches. Lastly, it asserted that the determination of just compensation should be reckoned from the time of taking.⁶

During pre-trial conference, it was determined that TransCo had occupied Lot No. 15870-B, and that there was a need to ascertain whether it also entered into Lot No. 15939.⁷ The complaint was amended⁸ upon the court's order⁹ in view of TransCo's admission that it has occupied a larger portion of Lot No. 15939 than that described by the heirs.¹⁰

The RTC then appointed three commissioners who eventually submitted their respective appraisal reports containing varying recommendations on the amount of just compensation for 2,776 square meters of Lot No. 15870-B and for Lot No. 15939 (with total area of 3,718 square meters), as follows:¹¹

Commissioner	Recommended Valuation
Martin P. Rabelas (Real Estate Appraiser and Broker)	PHP 1,250 per square meter
Noel T. Oliveros (TransCo Right-of-Way Officer)	PHP 0.47 per square meter for the 2,776 square meter portion occupied in 1977; PHP 0.47 per square meter for the 2,009 square meter portion occupied in 1977; PHP 12.37 per square meter for the 1,709 square meter portion occupied in 1994; With interest of 12% per annum from 1977 and 1994, respectively, until June 30 2013;

⁴ Also known as the "Electric Power Industry Reform Act of 2001."

⁵ *Rollo*, p. 38.

⁶ *Id.*

⁷ *Id.*

⁸ RTC records, pp. 252-256, Amended Complaint.

⁹ *Id.* at 251. The March 21, 2017 Order in Special Civil Action No. 15-030 was penned by Judge Solon B. Sison of Branch 1, Regional Trial Court, Legazpi City.

¹⁰ *Id.*

¹¹ *See rollo*, pp. 55-56.

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	and 6% per annum from July 1, 2013 up to present
Atty. Roy A. Alzaga (Clerk of Court VI – Office of the Clerk of Court, Regional Trial Court (RTC), Legazpi City)	PHP 581.67 per square meter, reckoned from 1997 PHP 575.00 per square meter, reckoned from 1980 With interest of 12% per annum from taking until June 30 2013; and 6% per annum from July 1, 2013 up to present

Ruling of the Regional Trial Court

The RTC ordered the payment of just compensation, finding that the transmission lines affected a total area of 6,494 square meters. Specifically, the Daraga-Putiao 69kV Transmission Lines traversed an area of 2,776 square meters of Lot No. 15870-B and 2,009 square meters of Lot No. 15939 during its construction sometime in 1977. On the other hand, the Daraga-Bacman 230kV Transmission Lines traversed the eastern portion of Lot No. 15939, occupying an area of 1,709 square meters.¹²

The RTC held that just compensation in this case must be reckoned from the filing of the complaint for inverse condemnation in 2015. While the RTC acknowledged that as a general rule, just compensation is reckoned from the date of actual taking, it applied the exception due to the special circumstances of the case,¹³ citing *National Power Corporation v. Heirs of Macabangkit Sangkay*,¹⁴ *National Power Corporation v. Saludares*,¹⁵ and *Heirs of Mateo Pidacan and Romana Bigo v. Air Transportation Office*.¹⁶ The RTC found that TransCo failed to file an action for expropriation even though it entered into the properties when the Daraga-Putiao 69kV Transmission Lines were erected in 1977, which traversed an area of 2,776 square meters of Lot No. 15870-B and 2,009 square meters of Lot No. 15939.¹⁷ TransCo in fact even justified its entry through the grant of right of way by Trinidad, and even refused to pay just compensation.¹⁸

The RTC adopted Commissioner Roy A. Alzaga's (Commissioner Alzaga) recommended valuation, with some modifications, and pegged the fair market value at PHP 600.00 per square meter. The RTC observed that all the commissioners took into consideration the fact that a substantial portion of the properties adjoins the national highway. In addition, the availability of facilities in the area and their proximity to local business districts increases the value of the properties.¹⁹ However, the value of the properties has been substantially impaired by the high voltage transmission lines rendering them

¹² *Rollo*, p. 60.

¹³ *Id.* at 59–60.

¹⁴ 671 Phil. 569 (2011) [Per J. Bersamin, First Division].

¹⁵ 686 Phil. 967 (2012) [Per J. Sereno, Second Division].

¹⁶ 643 Phil. 657 (2010) [Per J. Nachura, Second Division].

¹⁷ *Rollo*, pp. 60–61.

¹⁸ *Id.*

¹⁹ *Id.* at 62–63.

unsuitable for economic development, not only the areas traversed by these lines but also the remaining areas.²⁰ Thus, in addition to the PHP 600.00 per square meter as fair market value for the properties, the RTC also awarded PHP 100.00 per square meter as consequential damages for the remaining 39,688 square meters of the two lots.²¹

The dispositive portion of the Decision²² dated September 6, 2019 reads:

WHEREFORE, the above premises considered, judgment is hereby rendered:

1. DECLARING defendant, NATIONAL TRANSMISSION CORPORATION (TRANSCO) as liable to pay the plaintiffs the amount of just compensation pertaining to the portions of plaintiff's lots (2,776 square meters of Lot [No.] 15870-B[,] and 2,009 square meters and 1,709 square meters of Lot No. 15939, or a total area of 6,494 square meters) occupied or traversed by its high-voltage electric transmission wires and towers;

2. FIXING the amount of just compensation of the portions occupied by defendant, as above-mentioned, at Seven Hundred Pesos ([PHP] 700.00) per square meter, or a total amount of Four Million Five Hundred Fifty-Four [sic] Thousand Eight Hundred [Pesos] ([PHP] 4,545,800[.00]) for the entire area of 6,494 square meters, thereby, ORDERING defendant TRANSCO to PAY the plaintiffs the said amount;

3. ORDERING the defendant TRANSCO to likewise PAY the plaintiffs the amount of Fifty Thousand Pesos ([PHP] 50,000.00) as attorney's fees[,] and Two Hundred Thousand Pesos ([PHP] 200,000.00) by way of exemplary damages;

4. DECLARING that the foregoing sums shall bear interest at twelve per centum (12%) per annum from the filing of this case on July 21, 2015 and until finality of this judgment[,] and thereafter, the amounts adjudged shall bear legal interest of six (6) per centum per annum until the same are fully paid; and

5. DISMISSING all other claims and counterclaims of the parties for lack of merit.

SO ORDERED.²³

TransCo filed a Motion for Reconsideration which was partially granted in the Order²⁴ dated October 11, 2019. The dispositive portion of the Order reads:

²⁰ *Id.* at 63.

²¹ *Id.*

²² *Id.* at 53–65. The September 6, 2019 Decision in Special Civil Action No. 15-030 was penned by Acting Presiding Judge Edwin C. Ma-alat of Branch I, Regional Trial Court, Legazpi City.

²³ *Id.* at 64–65.

²⁴ *Id.* at 66–67.

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WHEREFORE, the Motion for Reconsideration filed by TransCo is hereby partially granted. The interest imposed on the just compensation shall be as follows:

a. The just compensation of [PHP] 700.00 per square meter pertaining to Lot Nos. 15870 and 15939 with a total area of 4,785 square meters, taken when the Daraga-Putiao 69kV Transmission Lines were erected in 1977, shall earn legal interest of 6% per annum from said date up to the finality of the Decision and thereafter, the interest of 12% per annum until fully paid;

b. The just compensation of [PHP] 700.00 per square meter pertaining to Lot No. 15939 with an area of 1,709 square meters, taken when the Daraga-Bacman 230kV Transmission Lines were erected in 1994, shall earn legal interest of 6% per annum from said date up to the finality of the Decision and, thereafter, the interest of 12% per annum until fully paid.

SO ORDERED.²⁵

TransCo elevated the case on appeal to the CA.

Ruling of the Court of Appeals

The CA reversed the RTC Decision. Citing *National Transmission Corporation v. Oroville Development Corporation*,²⁶ it held that no special circumstances were present in this case to warrant the application of the rulings in *Macabangkit Sangkay* and *Saludares*, where just compensation was reckoned from the filing of the complaint for inverse condemnation. Hence, just compensation must be reckoned from the date of actual taking.²⁷

The CA held that the amount of PHP 700.00 per square meter must be reconsidered as this was not based on the value of the properties at the time of taking.²⁸ It observed that while Commissioner Noel T. Oliveros' recommended valuation was closest to the date of actual taking, the 1978 and 1997 sales data as well as the Bureau of Internal Revenue (BIR) zonal valuation effective on July 14, 1997 cannot be the only bases in the determination of just compensation.²⁹ In adopting Commissioner Alzaga's report, which relied on the 2009 BIR zonal valuation and 2012–2015 sales data, the RTC failed to make a judicious computation of the fair market value of the properties.³⁰ The commissioners' appraisal reports "lack sufficient data and/or information in connection with the other factors which affect the valuation of the properties at the time of taking."³¹ Thus, the CA remanded

²⁵ *Rollo*, p. 67.

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

²⁷ *Rollo*, pp. 45–46.

²⁸ *Id.* at 46.

²⁹ *Id.* at 48.

³⁰ *Id.* at 49.

³¹ *Id.*

the case to the RTC to determine just compensation at the time of actual taking.

The dispositive portion of the Decision³² dated November 16, 2020 reads:

WHEREFORE, premises considered, the appeal is hereby GRANTED. The Decision dated September 6, 2019 and the Order dated October 11, 2019 of the Regional Trial Court, Fifth Judicial Region, Legazpi City, Albay, Branch 1 in Special Civil Action No. 15-030, are SET ASIDE.

The case is ordered REMANDED to the court of origin for the proper determination of the amount of just compensation, exemplary damages and attorney's fees based on the pronouncements at bar, with legal interest at the rate of 12% per annum on the adjudged amount of just compensation, reckoned from the date of taking until June 30, 2013, and thereafter, at 6% interest per annum until fully paid.

SO ORDERED.³³

Hence, the present Petition raising the following issues:

I. WHETHER OR NOT THE HONORABLE [CA] ERRED IN FINDING THAT THE EXEMPTION [sic] IN OROVILLE CASE IS NOT APPLICABLE IN THIS CASE AND IN FINDING THAT THE JUST COMPENSATION IN THIS CASE BE COMPUTED BASED ON THE VALUE AT THE TIME OF TAKING OF THE PROPERTY.

II. WHETHER OR NOT THE HONORABLE [CA] ERRED IN NOT AWARDING CONSEQUENTIAL DAMAGES.

III. WHETHER OR NOT THE HONORABLE [CA] ERRED IN NOT AWARDING COST OF SUIT.³⁴

In sum, the main issue raised by petitioners is whether the CA correctly applied the general rule that just compensation should be reckoned from the time of taking instead of from the filing of their complaint before the RTC.

Petitioners argue that their case warrants the application of the rulings in *Macabangkit Sangkay* and *Saludares*, where just compensation was reckoned from the filing of the complaint for inverse condemnation due to special circumstances, considering that respondent failed to initiate expropriation proceedings prior to its entry in 1977; and respondent's occupation of the 1,709 square meters of Lot No. 15939 in 1994 was only discovered upon the filing of the complaint, to which an amendment of the

³² *Id.* at 37-52.

³³ *Id.* at 51.

³⁴ *Id.* at 22.

complaint was done to show such fact.³⁵ Petitioners claim that *Macabangkit Sangkay* was not premised on the property owner's lack of knowledge of the government's entry but on whether due process was observed. Here, respondent's failure to initiate the expropriation proceedings violated petitioners' right to due process, their right to possess the properties, and payment of just compensation.³⁶ Petitioners also prayed for an increased award of exemplary damages in the amount of PHP 3,000,000.00 (PHP 1,000,000.00 each for the three portions of the two lots traversed by the transmission lines) or in the alternative, in an amount equivalent to the just compensation reckoned from the filing of the complaint.³⁷ Petitioners also pray for an increased amount of attorney's fees in the amount of PHP 1,000,000.00,³⁸ as well as consequential damages³⁹ and costs of suit.⁴⁰

In its Comment,⁴¹ respondent prays for the denial of the Petition. It argues that the CA correctly ruled that just compensation should be reckoned from the date of actual taking, and not from the filing of the complaint for inverse condemnation.⁴² Respondent asserts that NPC, its predecessor-in-interest, entered into the properties based on the grant of right of way given by Trinidad for a consideration of PHP 1,074.71—an assertion which petitioners did not dispute.⁴³ Furthermore, the transmission lines in this case were visible such that petitioners cannot deny their existence when they were constructed way back in 1977 and in 1994.⁴⁴ Finally, respondent asserts that the CA correctly did not award consequential damages, considering that the CA had ordered the remand of the case to the RTC and such award must be made following an evaluation of all the factors in determining just compensation.⁴⁵

In their Reply,⁴⁶ petitioners counter that respondent's claim that NPC was granted a right of way by Trinidad should not be given credence as the judicial affidavit of respondent's witness was never formally offered despite being on record.⁴⁷

The Court's Ruling

The Court partially grants the Petition.

³⁵ *Id.* at 27.

³⁶ *Id.*

³⁷ *Id.* at 28

³⁸ *Id.*

³⁹ *Id.* at 29.

⁴⁰ *Id.*

⁴¹ *Id.* at 157–168.

⁴² *Id.* at 163–164.

⁴³ *Id.* at 165.

⁴⁴ *Id.*

⁴⁵ *Id.* at 166.

⁴⁶ *Id.* at 103–107.

⁴⁷ *Id.* at 104.

At the outset, the Court no longer finds it necessary to discuss whether respondent's evidence regarding Trinidad's grant of right of way to NPC should be given credence. It is fairly established that no expropriation proceedings were commenced at the time of NPC's entry into the properties. Hence, We find that the crucial issue in this case is the proper reckoning point of the fair market value of petitioners' properties for purposes of just compensation.

*Just compensation should be
reckoned from actual taking subject
to the present value formula*

While both the RTC and the CA agreed that petitioners should be paid just compensation for their properties affected by the transmission lines, they differ as to its reckoning date. Rule 67, Section 4 of the Rules of Court provides that the just compensation to be paid shall be determined as of the date of the taking of the property or of the filing of the complaint, whichever came first.⁴⁸ By way of exception, the Court has on certain cases reckoned just compensation from the filing of the complaint, such as in *Macabangkit Sangkay* and *Saludaes*, both cited by the RTC. *Oroville*, cited by the CA, explains in length the exceptional nature of said rulings in the following manner:

The Court is not unaware of the rulings in *National Power Corporation v. Heirs of Macabangkit Sangkay* (*Macabangkit Sangkay*) and *National Power Corporation v. Spouses Saludaes* (*Saludaes*) wherein it was held that just compensation should be reckoned from the time the property owners initiated inverse condemnation proceedings notwithstanding that the taking of the properties occurred earlier.

In *Macabangkit Sangkay*, NAPOCOR, in the 1970s, undertook the construction of several underground tunnels to be used in diverting the water flow from the Agus River to the hydroelectric plants. On November 21, 1997, respondents therein sued NAPOCOR for recovery of property and damages, alleging that they belatedly discovered that one of the underground tunnels of NPC traversed their land. In that case, the Court adjudged that the value of the property at the time the property owners initiated inverse condemnation proceedings should be considered for purposes of just compensation for the following reasons, viz.:

Compensation that is reckoned on the market value prevailing at the time either when NPC entered or when it completed the tunnel, as NPC submits, would not be just, for

⁴⁸ Rule 67, Section 4 provides, in part:

Order of Expropriation. — If the objections to and the defenses against the right of the plaintiff to expropriate the property are overruled, or when no party appears to defend as required by this Rule, the court may issue an order of expropriation declaring that the plaintiff has a lawful right to take the property sought to be expropriated, for the public use or purpose described in the complaint, *upon the payment of just compensation to be determined as of the date of the taking of the property or the filing of the complaint, whichever came first.* . . . (Emphasis supplied)

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it would compound the gross unfairness already caused to the owners by NPC's entering without the intention of formally expropriating the land, and without the prior knowledge and consent of the Heirs of Macabangkit. NPC's entry denied elementary due process of law to the owners since then until the owners commenced the inverse condemnation proceedings. The Court is more concerned with the necessity to prevent NPC from unjustly profiting from its deliberate acts of denying due process of law to the owners. As a measure of simple justice and ordinary fairness to them, therefore, reckoning just compensation on the value at the time the owners commenced these inverse condemnation proceedings is entirely warranted.

On the other hand, in *Saludares*, respondents therein filed a complaint for the payment of just compensation against NAPOCOR, averring that it had entered and occupied their property by erecting high-tension transmission lines and failed to reasonably compensate them for the intrusion. For its part, NAPOCOR countered that it had already paid just compensation for the establishment of the transmission lines by virtue of its compliance with the final and executory decision in *National Power Corporation v. Pereyras*. In ruling that the reckoning value of just compensation is that prevailing at the time of the filing of the inverse condemnation proceedings, the Court declared:

To reiterate, NAPOCOR should have instituted eminent domain proceedings before it occupied respondent spouses' property. Because it failed to comply with this duty, respondent spouses were constrained to file the instant Complaint for just compensation before the trial court. From the 1970s until the present, they were deprived of just compensation, while NAPOCOR continuously burdened their property with its transmission lines. This Court cannot allow petitioner to profit from its failure to comply with the mandate of the law. We therefore rule that, to adequately compensate respondent spouses from the decades of burden on their property, NAPOCOR should be made to pay the value of the property at the time of the filing of the instant Complaint when respondent spouses made a judicial demand for just compensation.

These rulings, however, are exceptions to the general rule that just compensation must be reckoned from the time of taking or filing of the complaint, whichever came first. The special circumstances of the aforementioned cases called for the valuation of just compensation at the time the landowners initiated inverse condemnation proceedings notwithstanding that taking of the properties occurred first. In Macabangkit Sangkay, NAPOCOR did not even inform the property owners of the construction of the underground tunnels. Hence, it could be said that NAPOCOR employed stealth instead of complying with the legal process of expropriation. Further, considering that the tunnels were constructed underground, the property owners came to know thereof only when the purchaser of the property refused to proceed with the sale upon discovery of the underground tunnels. In this case, however, the transmission lines are visible, such that Oroville could not deny knowledge of its construction in 1983. In Saludares, NAPOCOR refused to acknowledge the respondents' claim and insisted that it already paid just compensation because the

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respondents' property was the same one involved in the *Pereyra* case. Thus, NAPOCOR had no intention to pay just compensation. This circumstance does not exist in the case at bench.

The rulings in Macabangkit Sangkay and Saldares are more in consonance with the rules of equity than with the Rules of Court, specifically Rule 67 on expropriation. Indeed, the practice of construct first, expropriate later is reprehensible and must not be countenanced. The Court, however, must not lose sight of Section 4, Rule 67 which mandates that just compensation must be determined "as of the date of the taking of the property or the filing of the complaint, whichever came first." This provision is, first and foremost, part of the Rules which the Court itself promulgated for purposes of uniformity, among others.⁴⁹ (Emphasis supplied, citations omitted)

On this score, We agree with the CA that the general rule applies in that just compensation should be reckoned from the time of actual taking. As *Oroville* held, the transmission lines are visible such that petitioners could not have not known their construction. In *National Transmission Corporation v. Religious of the Virgin Mary*,⁵⁰ the Court once again held that transmission lines could not have escaped the property owner's attention given their very nature, viz.:

This Court finds none of the exceptional circumstances that attended Sangkay, Saldares, or Pidacan to be present in this case. The very nature of transmission lines — how they run great distances and are supported by towers extending several stories in height — as well as respondent's own claim that there was intrusion in a sizeable portion (initially claimed to be more than 17,000 square meters) of its property precludes the expropriator's stealth and the owner's utter cluelessness. Moreover, petitioner's assertion that it acquired an easement or right of way by prescription for which reason it did not need to pay just compensation is markedly different from the claims in Saldares and Pidacan that payment had already been made. While in Saldares and Pidacan, NAPOCOR and the Air Transportation Office insisted on an entirely different version of facts, petitioner here conceded the facts of both its unauthorized intrusion as well as non-payment, albeit positing a legal argument for why payment was subsequently no longer necessary. Petitioner here did not call into question the basic incidents giving rise to the case although it averred its own legal basis.⁵¹ (Emphasis supplied, citations omitted)

Furthermore, in the present case, respondent claimed that the basis for entry into the property by NPC, its predecessor-in-interest, was the grant of right of way by Trinidad for a consideration of PHP 1,074.71. Notably, this is analogous to *Religious of the Virgin Mary*, although the right of way claimed by NPC in said case was based on prescription.

⁴⁹ 815 Phil. 91, 103–111 (2017) [Per J. Mendoza, *En Banc*].

⁵⁰ 927 Phil. 84 (2022) [Per J. Leonen, Second Division].

⁵¹ *Id.* at 100–101.

By applying the general rule instead of the exception, this Court does not intend to condone the act of taking private properties without initiating expropriation proceedings first. In *Oroville*, We have reminded TransCo that it should first file an expropriation case before it proceeds to construct transmission lines or any other infrastructure on any private property, and that “[t]he practice of construct first, expropriate later must be put to a stop.”⁵² Moreover, recent jurisprudence has adopted a new formula for determining just compensation from the time of taking, capable of considering the opportunity loss suffered by property owners due to non-payment.

In *Heirs of Jose Mariano v. City of Naga*,⁵³ the Court *En Banc* applied the “present value formula” for determining just compensation enunciated in *Republic v. Spouses Mariano Nocom and Anacoreta O. Nocom*,⁵⁴ as follows:

In *Secretary of the Department of Public Works and Highways v. Spouses Tecson*, this Court laid down the remedies for an aggrieved private party when property is taken by the government for public use. It also enumerated cases illustrating an aggrieved party’s remedy when deprived of their property without the benefit of just compensation.

....

With this, the controlling doctrine is that when there is actual taking by the government without expropriation proceedings, the owner of the property is entitled to just compensation which is pegged at the value of the property at the time of taking.

....

However, there are instances where this Court held that just compensation should not be reckoned from the time of taking of the properties, but from the time the property owners initiated inverse condemnation proceedings as a matter of justice and equity.

....

Accordingly, it would result in great in [sic] injustice if this Court grants the prayer of petitioner that the just compensation be pegged at the value of the subject properties in 1983, or the alleged time of taking of the government. To do so would reward petitioner for its disregard of procedural due process in its exercise of the power of eminent domain.

Notably, if petitioner promptly recompensed respondents for the use of their property, the latter would have the opportunity to gain profit from the amount received. The non-payment of compensation deprived respondents of the principal amount as well as its prospective fruits.

⁵² 815 Phil. 91, 115 (2017) [Per J. Mendoza, *En Banc*].

⁵³ 931 Phil. 369 (2022) [Per J. Dimaampao, *En Banc*].

⁵⁴ 914 Phil. 686, 705–713 (2021) [Per J. Leonen, Third Division].

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To address this dilemma, an Opinion in *Secretary of the Department of Public Works* is illuminating. There, the economic concept of present value was explained thus:

If the parties in an expropriation case would have perfect foresight, they would have known the amount of "fair market value at the time of taking." If this amount of money was deposited in a bank pending expropriation proceedings, by the time proceedings are over, the property owner would be able to withdraw the principal (fair market value at the time of taking) and the interest earnings it has accumulated over the time of the proceedings. Economists have devised a simple method to compute for the value of money in consideration of this future interest earnings.

For purposes of explaining this method, consider property owner AA who owns a piece of land. The government took his property at Year 0. Let us assume that his property had a fair market value of [PHP] 100 at the time of taking. In our ideal situation, the government should have paid him [PHP] 100 at Year 0. By then, AA could have put the money in the bank so it could earn interest. Let us peg the interest rate at 5% per annum (or in decimal form, 0.05).

If the expropriation proceedings took just one year (again, another ideal situation), AA could only be paid after that year. The value of the [PHP] 100 would have appreciated already. We have to take into consideration the fact that in Year 1, AA could have earned an additional P5 in interest if he had been paid in Year 0.

In order to compute the present value of [PHP] 100, we have to consider this formula:

Present Value in Year 1 = Value at the Time of Taking + (Interest Earned of the Value at the Time of Taking)

In formula terms, it will look like this:

$$PV_1 = V + (V * r)$$

$$PV_1 = V * (1 + r)$$

PV_1 = present value in Year 1

V = value at the time of taking

r = interest rate

So in the event that AA gets paid in Year 1, then:

$$PV_1 = V * (1 + r)$$

$$PV_1 = [\text{PHP}] 100 (1 + 0.05)$$

$$PV_1 = [\text{PHP}] 105$$

So if AA were to be paid in Year 1 instead of in Year 0, it is only just that he be paid P105 to take into account the interest earnings he has foregone due to the expropriation proceedings. If he were to be paid in Year 2, we should take into consideration not only the interest earned of the

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principal, but the fact that the interest earned in Year 1 will also be subject to interest earnings in Year 2. This concept is referred to as *compounding* interest rates. So our formula becomes:

$$\text{Present Value in Year 2} = [\text{Present Value in Year 1}] + [\text{Interest Earned of Present Value in Year 1}].$$

In advocating the use of present value and compounding interest, this Court meets the middle ground between established doctrine and substantial justice. Moreover, the result would be more in keeping with the concept of just compensation. By using the present value method, this Court recognizes that the value of money is not static. The amount of [PHP] 552.00 in 1983 does not carry the same monetary or buying power in 1995 or in 2021. Thus, the method takes into consideration the present economic value of the property taken by the government if just compensation at the time of taking was paid promptly. It compensates for the opportunity loss due to the non-payment of a sum of money that is due and demandable.

In using this method, the powers that be would have a stronger incentive to comply with duly constituted procedures regarding the power of eminent domain instead of continuing its practice of taking property without filing the proper expropriation proceedings. At the same time, it remains consistent with the doctrine that just compensation must be reckoned from the time of actual taking. It merely directs the courts, which have the judicial function to determine the amount of just compensation, to make use of the formula to ensure that the profit loss suffered by private owners are computed for as well.

The interest prescribed above must be distinguished from legal interest which penalizes the payor for its delay in payment. Thus, it is without question that petitioner's occupation of the Subject Lots, for more than two decades without the proper expropriation proceedings also entitles respondents with the payment of legal interest at the rate of [6%] percent on the value of the land at the time of taking until full payment is made.⁵⁵ (Emphasis supplied, citations omitted)

Considering that just compensation should be reckoned from the date of actual taking, which in this case was in 1977 (for the Daraga-Putiao 69kV Transmission Lines) and in 1994 (for the Daraga-Bacman 230kV Transmission Lines), the CA correctly ordered the remand of the case to the RTC. This is because Commissioner Alzaga's recommended valuation, which was adopted with modification by the RTC, relied on the 2009 BIR zonal valuation and 2012–2015 sales data, and thus, not reflective of the fair market value at the time of taking. However, the just compensation shall be computed in accordance with the present value formula as provided in *Spouses Nocom and Heirs of Mariano*. Moreover, the total just compensation shall earn legal interest of 6% per annum from the finality of the decision fixing the just

⁵⁵ *Heirs of Jose Mariano v. City of Naga*, 931 Phil. 369, 378–380 (2022) [Per J. Dimaampao, *En Banc*].

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compensation⁵⁶ until full payment in accordance with prevailing jurisprudence.⁵⁷

*Award of consequential damages
should be recomputed by the RTC
in accordance with this Decision*

As regards the award of consequential damages, We find it more prudent for the RTC to include in its determination the proper amount of consequential damages for the remaining portions of the property not occupied by the transmission lines. After all, the award of consequential damages is a component of just compensation.⁵⁸ As held in *National Power Corporation v. Marasigan*:⁵⁹

To emphasize, in order to determine just compensation, the trial court should first ascertain the market value of the property, to which should be added the consequential damages after deducting therefrom the consequential benefits which may arise from the expropriation. If the consequential benefits exceed the consequential damages, these items should be disregarded altogether as the basic value of the property should be paid in every case.⁶⁰

Notably, the RTC had earlier awarded PHP 100.00 per square meter as consequential damages for the remaining 39,688 square meters of petitioners' two lots, finding that the transmission lines pose danger to the safety and health of persons staying near them, and their presence constitutes a permanent burden on the unaffected portions as they impede the unrestricted planning and utilization of said portions.⁶¹ Considering that a remand of this case for the proper determination of just compensation is in order, We find that the RTC should also pass upon the correct amount of consequential damages, considering that the prior award of PHP 100.00 per square meter was made in relation to the value of PHP 600.00 per square meter which the CA correctly set aside. Being a component of just compensation, the award of consequential damages shall also be reckoned in this case from the time of taking, subject to the present value formula in *Spouses Nocom and Heirs of Mariano*, and shall also earn legal interest of 6% per annum from the finality of the decision fixing the just compensation⁶² until full payment in accordance with prevailing jurisprudence.⁶³

⁵⁶ See *Republic v. Villao*, 920 Phil. 691, 701-702 (2022) [Per J. Rosario, Second Division].

⁵⁷ *Lara's Gift and Decors, Inc. v. Midtown Industrial Sales, Inc.*, 929 Phil. 754, 779-782 (2022) [Per J. Leonen, *En Banc*].

⁵⁸ See *National Power Corporation v. Marasigan*, 820 Phil. 1107, 1131 (2017) [Per J. Tijam, First Division].

⁵⁹ 820 Phil. 1107 (2017) [Per J. Tijam, First Division].

⁶⁰ *Id.* at 1131.

⁶¹ *Rollo*, p. 63.

⁶² See *Republic v. Villao*, 920 Phil. 691, 701-702 (2022) [Per J. Rosario, Second Division].

⁶³ *Lara's Gift and Decors, Inc. v. Midtown Industrial Sales, Inc.*, 929 Phil. 754, 779-782 (2022) [Per J. Leonen, *En Banc*].

*Award of exemplary damages
and attorney's fees is proper*

With regard to the claim for exemplary damages and attorney's fees, We note that the RTC had already awarded exemplary damages in the amount of PHP 200,000.00 and attorney's fees in the amount of PHP 50,000.00 to petitioners upon finding that respondent failed to initiate the appropriate expropriation proceedings before constructing the transmission lines which traversed the affected properties.⁶⁴ The CA had ruled that petitioners should be awarded an increased amount of exemplary damages and attorney's fees, considering the length of time that petitioners were deprived of the beneficial ownership of their property and to serve as a deterrent to the State for failing to institute expropriation proceedings, but remanded the determination of the amount of exemplary damages and attorney's fees to the RTC.⁶⁵ Petitioners now pray that the award of exemplary damages be increased to PHP 3,000,000.00 or in the alternative, in an amount equivalent to the just compensation reckoned from the filing of the complaint, and the award of attorney's fees be increased to PHP 1,000,000.00.

The Court finds partial merit in these claims.

The Court has awarded exemplary damages and attorney's fees in cases where property owners were deprived of beneficial ownership of their properties without the benefit of expropriation proceedings. In *Heirs of Mariano*, citing *National Power Corporation v. Manalastas*,⁶⁶ We held:

Lastly, in addition to the award for interests, Article 2229 of the Civil Code provides that "[e]xemplary or corrective damages are imposed by way of example or correction for the public good" and Article 2208 of the same code states that attorney's fees may be awarded by the court in cases where such would be just and equitable. As held in the Resolution dated April 21, 2015 in *Secretary of the Department of Public Works and Highways, et al. v. Spouses Heracleo and Ramona Tecson*, additional compensation in the form of exemplary damages and attorney's fees should likewise be awarded as a consequence of the government agency's illegal occupation of the owner's property for a very long time, resulting in pecuniary loss to the owner. Indeed, government agencies should be admonished and made to realize that its negligence and inaction in failing to commence the proper expropriation proceedings before taking private property, as provided for by law, cannot be countenanced by the Court.⁶⁷ (Emphasis in the original)

In *Heirs of Mariano*, the Court awarded exemplary damages in the amount of PHP 1,000,000.00 despite ordering the remand of the case to the RTC for the determination of just compensation. The same amount of

⁶⁴ Rollo, pp. 63-64.

⁶⁵ *Id.* at 51.

⁶⁶ 779 Phil. 510, 519 (2016) [Per J. Peralta, Third Division].

⁶⁷ *Heirs of Jose Mariano v. City of Naga*, 931 Phil. 369, 381 (2022) [Per J. Dimaampao, *En Banc*].

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exemplary damages was also awarded in *Secretary of the Department of Public Works and Highways v. Spouses Tecson*⁶⁸ and *Oroville* due to the failure of the government to timely initiate the appropriate proceedings which resulted in pecuniary loss to the property owner.

As regards attorney's fees, the amount of PHP 75,000.00 was awarded in the March 12, 2018 Decision⁶⁹ in *Heirs of Mariano* and was affirmed in the October 18, 2022 Resolution. We note that in reducing the award of attorney's fees in *Heirs of Mariano*, the Court considered the circumstances of the case and the summary nature of an unlawful detainer proceeding.⁷⁰ Moreover, *Heirs of Mariano* originated from an unlawful detainer proceeding, and the determination of just compensation was only ordered in the October 18, 2022 Resolution on the Second Motion for Reconsideration. On the other hand, We have awarded attorney's fees in the amount of PHP 200,000.00 in *Tecson, Oroville*, and *Manalastas* which all involved property owners filing the complaints in court after their properties were taken without expropriation proceedings being initiated by the expropriator before the court.

From the foregoing, the Court finds that the amount of PHP 1,000,000.00 as exemplary damages and PHP 200,000.00 as attorney's fees is fair and reasonable under the circumstances. These amounts shall also earn legal interest from the finality of this Decision until full payment in accordance with prevailing jurisprudence.⁷¹

*Respondent should pay
the costs of suit*

Rule 67, Section 12 of the Rules of Court provides:

Section 12. *Costs, by whom paid.* -- The fees of the commissioners shall be taxed as a part of the costs of the proceedings. All costs, except those of rival claimants litigating their claims, shall be paid by the plaintiff, unless an appeal is taken by the owner of the property and the judgment is affirmed, in which event the costs of the appeal shall be paid by the owner.

This provision presupposes that the expropriator is the plaintiff who filed the expropriation case before the court.⁷² In the present case, however, the plaintiffs in the case are the petitioners who are owners of the property taken. Considering that NPC, respondent's predecessor-in-interest, entered into the properties without initiating an expropriation proceeding, it would be unjust for the petitioners to pay for the costs of suit when it should have been

⁶⁸ 758 Phil. 604 (2015) [Per J. Peralta, *En Banc*].

⁶⁹ 827 Phil. 531 (2018) [Per J. Tijam, First Division].

⁷⁰ *Id.* at 573.

⁷¹ *Lara's Gift and Decors, Inc. v. Midtown Industrial Sales, Inc.*, 929 Phil. 754, 779–782 (2022) [Per J. Leonen, *En Banc*].

⁷² *See Land Bank of the Philippines v. Baldoza*, 858 Phil. 112, 120 (2019) [Per J. Reyes, J. Jr., Second Division].

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NPC or respondent who should have filed the proper case before the court prior to the taking of the properties. No less than the Constitution ordains that "[p]rivate property shall not be taken for public use without just compensation."⁷³

Moreover, *Tecson* and *Oroville*, both citing *Republic v. Court of Appeals*,⁷⁴ instructs that "the failure of the government to initiate an expropriation proceeding to the prejudice of the landowner may be corrected with the awarding of exemplary damages, attorney's fees and costs of litigation."⁷⁵

ACCORDINGLY, the Petition is **PARTIALLY GRANTED**. The Decision dated November 16, 2020 of the Court of Appeals in CA-G.R. CV No. 114206 is **AFFIRMED** with **MODIFICATION** that the just compensation shall be reckoned from the time of actual taking in 1977 for the Daraga-Putiao 69kV Transmission Lines which traversed an area of 2,776 square meters of Lot No. 15870-B and 2,009 square meters of Lot No. 15939, and from 1994 for the Daraga-Bacman 230kV Transmission Lines which traversed the eastern portion of Lot No. 15939 and occupied an area of 1,709 square meters. The award of just compensation, including the amount of consequential damages for the remaining unoccupied portions of Lot No. 15870-B and Lot No. 15939, shall be determined in accordance with the formula laid down in *Republic v. Spouses Nocom* and *Heirs of Jose Mariano v. City of Naga*. The total just compensation shall earn legal interest of 6% per annum from the finality of the decision fixing the just compensation until full payment.

Respondent National Transmission Corporation is **ORDERED** to **PAY** the petitioners Heirs of Benita Yanzon Cipriano the amount of PHP 1,000,000.00 as exemplary damages and PHP 200,000.00 as attorney's fees. These amounts shall earn legal interest of 6% per annum from the finality of this Decision until full payment.

The case is **REMANDED** to Branch 1, Regional Trial Court, Fifth Judicial Region, Legazpi City, Albay, for the proper determination of just compensation, consequential damages, and costs of suit, in accordance with the principles discussed in this Decision. Said court is **DIRECTED** to resolve this case with utmost dispatch.

Costs against respondent National Transmission Corporation.

SO ORDERED.

⁷³ CONST., art. III, sec. 9.

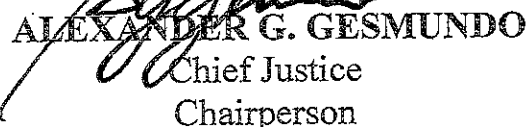
⁷⁴ 494 Phil. 494, 512-513 (2005) [Per J. Carpio, First Division].

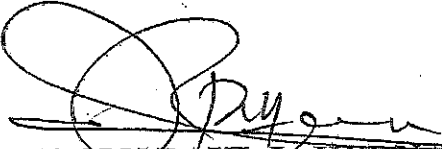
⁷⁵ 815 Phil. 91, 113 (2017) [Per J. Mendoza, *En Banc*]; 758 Phil. 604, 644 (2015) [Per J. Peralta, *En Banc*].

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RICARDO R. ROSARIO
Associate Justice

WE CONCUR:


ALEXANDER G. GESMUNDO
Chief Justice
Chairperson



RAMON PAUL L. HERNANDO
Associate Justice

On official business
RODIL V. ZALAMEDA
Associate Justice

On official business
JOSE MIDAS P. MARQUEZ
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, 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