

THIRD DIVISION

[G.R. No. 126074, February 24, 1998]

RIDJO TAPE & CHEMICAL CORP. AND RIDJO PAPER CORPORATION, PETITIONERS, VS. HON. COURT OF APPEALS, MANILA ELECTRIC CO., HON. PRESIDING JUDGE, BRANCH 104-REGIONAL TRIAL COURT OF QUEZON CITY, RESPONDENTS.

D E C I S I O N

ROMERO, J.:

Before us is a petition to review the decision^[1] of the Court of Appeals which reversed that of the Regional Trial Court of Quezon City, Branch 104 in Civil Case Nos. Q-92-13845 and Q-92-13879 ordering petitioners to pay private respondent Manila Electric Co. (MERALCO) the amount of P415,317.66 and P89,710.58 plus the costs of suit. This petition involves the two cases filed by petitioners which were eventually consolidated.

Civil Case No. Q-92-13845:

On November 16, 1990, petitioners applied for and was granted electric service by MERALCO. Ten months later, however, or on September 4, 1991, petitioners received a letter from MERALCO demanding payment of P415,317.66, allegedly representing unregistered electric consumption for the period November 7, 1990, to February 13, 1991. MERALCO justified its demand on the ground that the unregistered electric consumption was due to the defects of the electric meter located in the premises of petitioners.

Since petitioners refused to pay the amount, MERALCO notified them that in the event the overdue account remained unpaid, it would be forced to disconnect their electricity. Alarmed by this development, petitioners, instead of settling the amount, filed on October 29, 1992 a case before Branch 98 of the Quezon City RTC for the issuance of a writ of preliminary injunction and/or temporary restraining order to forestall any planned disconnection by MERALCO.

On November 19, 1992, the trial court granted the prayer for preliminary injunction.

Civil Case No. 13879:

On July 30, 1992, petitioners received another demand letter from MERALCO, this time requiring them to pay the amount of P89,710.58 representing the unregistered electric consumption for the period July 15, 1991 to April 13, 1992, the deficiency again due to the defective meter installed in petitioners' compound.

MERALCO's demand having remained unheeded, petitioners were advised that their electric service would be disconnected without further notice. Hence, on November 5, 1992, petitioners filed a case before Branch 104 of the Quezon City RTC, seeking to enjoin MERALCO from implementing the suspension of electric service.

Thereafter, on November 9, 1992, petitioners filed a motion for the consolidation of the two cases, which was granted, resulting in the joint trial of said cases before Branch 104 of the Quezon City RTC.

On November 27, 1992, the trial court issued the corresponding preliminary injunction.

After due trial, the lower court rendered a decision, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered in this case in favor of the plaintiff(s) and against the defendants:

1. Making the Injunction permanent, enjoining the defendants in both cases, and all their subordinates, legal representatives, electric meter readers and technicians from committing acts of dispossession/disruption of electric power on the subject premises located at the compound of Ridjo Tape and Chemical Corporation and Ridjo Paper Corporation located at 64 and 68 Judge Juan Luna St., San Francisco del Monte, Quezon City.

2. Ordering defendants to pay the cost of suit.

Defendants' counterclaim on (the) two cases are (sic) denied for lack of merit."

MERALCO appealed to the Court of Appeals which, on January 22, 1996, reversed the trial court's finding, to wit:

"WHEREFORE, the appealed judgment is REVERSED; and appellees Ridjo Tape and Chemical Corporation and Ridjo Paper Corporation are hereby ordered to pay subject differential billings of P415,317.66 and P89,710.58, respectively. Costs against the appellees."^[2]

Aggrieved, petitioners filed a motion for reconsideration, which was denied by the Court of Appeals in a resolution dated August 14, 1996.^[3] Hence, this petition.

From the pleadings filed by the parties, it can be deduced that the only issue to be resolved is whether petitioners, despite the absence of evidence of tampering, are liable to pay for the unregistered electrical service.

For a better understanding of the two cases, the terms and conditions of the Service Agreement regarding payments are reproduced:

"PAYMENTS

Bills will be rendered by the Company to the Customer monthly in accordance with the applicable rate schedule. Said Bills are payable to collectors or at the main or branch offices of the Company or at its authorized banks within ten (10) days after the regular reading date of the electric meters. The word 'month' as used herein and in the rate schedule is hereby defined to be the elapsed time between two succeeding meter readings approximately thirty (30) days apart. *In the event of the stoppage or the failure by any meter to register the full amount of energy consumed, the Customer shall be billed for such period*

on an estimated consumption based upon his use of energy in a similar period of like use." (Italics supplied)

In disclaiming any liability, petitioners assert that the phrase "stoppage or failure by any meter to register the full amount of energy consumed" can only refer to tampering on the part of the customer and not mechanical failure or defects.^[4] MERALCO, on the other hand, argues that to follow the interpretation advanced by petitioners would constitute an unjust enrichment in favor of its customers.^[5]

Evidently, the Service Contract between petitioners and MERALCO partakes of the nature of a contract of adhesion as it was prepared solely by the latter, the only participation of the former being that they affixed or "adhered" their signature thereto,^[6] thus, leaving no room for negotiation and depriving petitioners of the opportunity to bargain on equal footing.^[7] Nevertheless, these types of contracts have been declared to be binding as ordinary contracts because the party adhering thereto is free to reject it in its entirety.^[8]

Being an ordinary contract, therefore, the principle that contracting parties can make stipulations in their contract provided they are not contrary to law, morals, good customs, public order or public policy, stands strong and true.^[9] To be sure, contracts are respected as laws between the contracting parties, and they may establish such stipulations, clauses, terms and conditions as they may want to include.^[10] Since both parties offered conflicting interpretations of the stipulation, however, then judicial determination of the parties' intention is mandated.^[11] In this regard, it must be stressed that in construing a written contract, the reason behind and the circumstances surrounding its execution are of paramount importance to place the interpreter in the situation occupied by the parties concerned at the time the writing was executed.^[12]

With these pronouncement as parameters, and considering the circumstances of the parties, we are constrained to uphold MERALCO's interpretation.

At this juncture, we hasten to point out that the production and distribution of electricity is a highly technical business undertaking,^[13] and in conducting its operation, it is only logical for public utilities, such as MERALCO, to employ mechanical devices and equipment for the orderly pursuit of its business.

It is to be expected that the parties were consciously aware that these devices or equipment are susceptible to defects and mechanical failure. Hence, we are not prepared to believe that petitioners were ignorant of the fact that stoppages in electric meters can also result from inherent defects or flaws and not only from tampering or intentional mishandling.

Clearly, therefore, the rationale of the provision in the Service Agreement was primarily to cover situations similar to the instant case, for there are instances when electric meters do fail to record the quantity of the current used for whatever reason.^[14] It is precisely this kind of predicament that MERALCO seeks to protect itself from so as to avert business losses or reverses. It must be borne in mind that construction of the terms of a contract which would amount to impairment or loss of right is not favored; conservation and preservation, not waiver, abandonment or forfeiture of a right, is the rule.^[15] Since MERALCO supplied electricity to petitioners