

(BATELEC I), is a corporate officer and his dismissal is regarded as an intra-corporate controversy, the jurisdiction over which belongs to the Securities and Exchange Commission (SEC), now with the regional trial courts, and not the labor tribunals.

The Antecedents

BATELEC I is an electric cooperative organized and existing under Presidential Decree No. 269 (P.D. 269) and is engaged in the business of distributing electric power or energy in the province of Batangas, specifically in Nasugbu, Tuy, Calaca, Balayan, Lemery, San Nicolas, Sta. Teresita, San Luis, Calatagan, Lian and Agoncillo. At the time material to this petition, respondent Raquel Rowena Rodriguez is the President of BATELEC I's Board of Directors.⁴ Ellao was employed by BATELEC I initially as Office Supplies and Equipment Control Officer on January 4, 1982 until he was appointed as General Manager on June 1, 2006.⁵

On February 12, 2009, a complaint was filed by Nestor de Sagun and Conrado Cornejo against Ellao, charging him of committing irregularities⁶ in the discharge of his functions as General Manager.⁷ A fact-finding body was created to investigate these charges and in the meantime, Ellao was placed under preventive suspension.⁸

Ellao submitted his explanation refuting the charges against him, after which the matter was set for hearing. However, the scheduled hearing was postponed at Ellao's instance. The re-scheduled hearing did not push through, and instead, the fact-finding body issued a report recommending Ellao's termination. On March 13, 2009, the Board of Directors adopted and

⁴ Id. at 428.

⁵ Id. at 57.

⁶ These alleged irregularities, as enumerated under the assailed CA Decision, are as follows:

“(1) He entered into a contract with Interlink Power Corp. in the construction of a 69KV transmission lines for the development of Costa del Hamilo by Manila Southcoast Dev. Corp. (MSDC), without public bidding involving the amount of Php44,027,993.66;

(2) He entered into a contract with NGC Enterprises for the outsourcing of meter reading, billing, collection and disconnection services without conducting any study or the cost-benefit analysis involving the amount of Php14,994,347.46;

(3) He entered into a contract with Mlies Power Supply for the supposed clearing of obstruction along BATELEC I distribution lines (payment of which was to the prejudice of the cooperative involving the amount of Php4,911,409.00);

(4) He unilaterally implemented the membership ID program with insurance program involving the amount of Php11,785,344.00, without prior imprimatur from the Board of Directors of the company;

(5) He unilaterally entered into a contract with J-MARRU MKTG and Cons. Corp. for the installation/customization of the existing accounting system with a repair order Php160,000.00 and the amount involved is Php5,250,000.00;

(6) He entered into a contract with Interlink Power Corporation without public bidding involving the amount of Php55,535,991.01;

(7) He managed the company with very weak accounting and internal control; and

(8) He implemented Board Resolution No. 33-07, a lawyering agreement which has been determined by the NEA to be exorbitant, to the disadvantage and damage of BATELEC I.”; *Rollo*, p. 59.

⁷ Id. at 57-58.

⁸ Id. at 59.

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issued Board Resolution No. 24-09 terminating Ellao as General Manager on the grounds of gross and habitual neglect of duties and responsibilities and willful disobedience or insubordination resulting to loss of trust and confidence.⁹ On October 2, 2009, Ellao was formally informed of his dismissal from employment made effective on October 1, 2009.¹⁰ On December 9, 2009, the National Electrification Administration (NEA) confirmed BATELEC I's Board Resolution No. 24-09 and approved Ellao's termination.¹¹

On February 23, 2011, Ellao filed a Complaint for illegal dismissal and money claims before the Labor Arbiter against BATELEC I and/or its President Rowena A. Rodriguez. Alleging illegal dismissal, Ellao complained that the charges against him were unsubstantiated and that there was no compliance with procedural due process as he was not afforded the opportunity to explain and there was no written notice of termination specifying the grounds of his termination.¹²

BATELEC I, on the other hand, moved to dismiss Ellao's complaint on the ground that it is the NEA and not the NLRC which has jurisdiction over the complaint. Assuming the NLRC enjoys jurisdiction, BATELEC I nevertheless asserts that Ellao was validly dismissed.¹³

The Labor Arbiter rendered his Decision¹⁴ affirming jurisdiction over the complaint. He held that while Presidential Decree No. 279 (P.D. 279), the law creating the NEA, as amended by Presidential Decree No. 1645 (P.D. 1645), granted NEA the power to suspend or dismiss any employee of electric cooperatives, the same does not authorize NEA to hear and decide a labor termination case which power is exclusively vested by Presidential Decree No. 442 or the Labor Code, to Labor Arbiters.¹⁵ Thus, assuming jurisdiction over the Complaint, the Labor Arbiter held that Ellao was illegally dismissed as the grounds for his dismissal were unsubstantiated.¹⁶

In disposal, the Labor Arbiter held:

WHEREFORE, judgment is hereby made finding the complainant to have been illegally dismissed from employment by the respondents. Concomitantly, the respondents are hereby ordered to reinstate him to his prior position as General manager, without loss of seniority rights and with full backwages which, on date of this Decision is computed at ₱1,499,106.00 (his monthly salary of ₱62,462.75 multiplied by twenty

⁹ Id. at 58-59.

¹⁰ Id. at 59.

¹¹ Id.

¹² Id. at 60.

¹³ Id.

¹⁴ Penned by Labor Arbiter Edgar B. Bisana; Id. at 298-310.

¹⁵ Id. at 302-303.

¹⁶ Id. at 303-307.

four (24) months). If the complainant should reject reinstatement, the respondents are ordered to pay him, in addition to full backwages, a separation pay computed at a full month's pay for every year of service or the amount of ₱1,686,494.25 (₱62,462.75 multiplied by his 27 years of service).

The respondents are further ordered to pay complainant one million pesos in moral damages plus ten percent of the total financial award as attorney's fees.

Other claims are dismissed for lack of merit.

SO ORDERED.¹⁷

BATELEC I interposed its appeal¹⁸ before the NLRC while Ellao filed a partial appeal.¹⁹ BATELEC I maintains that it is the NEA which has jurisdiction over Ellao's complaint and that in any case, Ellao was validly dismissed. In its supplemental appeal,²⁰ BATELEC I argued that jurisdiction over the subject matter belongs to the regional trial court pursuant to Presidential Decree No. 902-A as amended by Republic Act No. 8799 and Administrative Matter No. 00-11-03-SC which provides that jurisdiction over intra-corporate disputes are with the regional trial courts.

The NLRC held that BATELEC I is not a corporation registered with the SEC, but that it was formed and organized pursuant to P.D. 269 and that Ellao is not an officer but a mere employee.²¹ Accordingly, the NLRC, in its Decision²² dated May 21, 2012 denied BATELEC I's appeal and partly granted that of Ellao's, disposing as follows:

WHEREFORE, premises considered, the appeal of respondents is denied for lack of merit. The partial appeal of complainant is Partly Granted in that the cost of living allowance must be included in the computation of his backwages and separation pay and that he must be paid his proportionate 13th month pay for the year 2009 and the moral and exemplary damages awarded in his favor is reduced to ₱100,000.00.

All other dispositions not affected by the modification stands.

SO ORDERED.²³

BATELEC I's motion for reconsideration met similar denial from the NLRC in its Resolution²⁴ dated September 28, 2012. Undaunted, BATELEC

¹⁷ Id. at 309-310.

¹⁸ Id. at 311-317.

¹⁹ Id. at 330-343.

²⁰ Id. at 344-366.

²¹ Id. at 419.

²² Id. at 403-421.

²³ Id. at 420.

²⁴ Id. at 423-426.

I interposed its *certiorari* petition²⁵ before the CA reiterating its argument that the Labor Arbiter and the NLRC lacked jurisdiction over Ellao's complaint, the latter being a corporate officer.

The Ruling of the Court of Appeals

The CA found merit in BATELEC I's *certiorari* petition and found that Ellao, as BATELEC I's General Manager, is a corporate officer. The CA found that under BATELEC I's By-laws, its Board of Directors is authorized to appoint such officers as it may deem necessary. It noted that Ellao was appointed as General Manager by virtue of a board resolution and that Ellao's appointment was duly approved by the NEA Administrator.²⁶ The CA also found that the position of General Manager is specifically provided for under BATELEC I's By-laws. As such, the CA concluded that Ellao's dismissal is considered an intra-corporate controversy which falls under the jurisdiction of the SEC, now the RTC's, and not with the NLRC.

In disposal, the CA pronounced:

WHEREFORE, in view of the foregoing premises, the instant petition for certiorari is hereby **GRANTED** and the assailed May 21, 2012 Decision and September 28, 2012 Resolution of the National Labor Relations Commission, Sixth Division in NLRC LAC No. 01-000260-12 (NLRC RABIV Case No. 02-00265-11-B) as well as the October 28, 2011 Decision of the Labor Arbiter are hereby declared as **NULL and VOID** and consequently, **SET ASIDE**. The illegal dismissal complaint of Demetrio Ellao is hereby dismissed without prejudice to his seeking recourse in the appropriate forum.

SO ORDERED.²⁷

Ellao's motion for reconsideration met similar rebuke from the CA. Hence, resort to the present petition.

The Issue

Ellao presently imputes error on the part of the CA when the latter held that the RTC enjoys jurisdiction based on the CA's alleged erroneous findings that Ellao is a corporate officer and that the controversy involves an intra-corporate dispute. Simply, the issue to be resolved by the Court is whether or not jurisdiction over Ellao's complaint for illegal dismissal belong to the labor tribunals.

²⁵ Id. at 427-491.

²⁶ Id. at 64.

²⁷ Id. at 66.

The Ruling of the Court

We deny the petition.

Complaints for illegal dismissal filed by a cooperative officer constitute an intra-cooperative controversy, jurisdiction over which belongs to the regional trial courts.

Ellao's main resistance to the regional trial court's exercise of jurisdiction over his complaint for illegal dismissal rests on his theory that BATELEC I, as a cooperative, is not a corporation registered with the SEC. Registration with the SEC, however, is not the operative factor in determining whether or not the latter enjoys jurisdiction over a certain dispute or controversy.

To lend proper context, it is well to recall that a cooperative, as defined under P.D. 269²⁸, refers to a "*corporation* organized under Republic Act No. 6038²⁹ or [under P.D. 269] a cooperative supplying or empowered to supply service which has heretofore been organized under the Philippine Non-Agricultural Cooperative Act, whether covered under this Decree or not."³⁰ P.D. 269 further provides that "[c]ooperative non-stock, non-profit membership *corporations* may be organized, and *electric cooperative corporations* heretofore formed or registered under the Philippine non-Agricultural Cooperative Act may as hereinafter provided be converted, under this Decree for the purpose of supplying, and of promoting and encouraging the fullest use of, service on an area coverage basis at the lowest cost consistent with sound economy and the prudent management of the business of such corporations."³¹ Likewise, by express provision of PD 269, an electric cooperative is hereby vested with all powers necessary or convenient for the accomplishment of its *corporate* purpose.³² Consistently, an electric cooperative is defined under Republic Act No. 9136³³ (R.A. 9136)

²⁸ CREATING THE "NATIONAL ELECTRIFICATION ADMINISTRATION" AS A CORPORATION, PRESCRIBING ITS POWERS AND ACTIVITIES, APPROPRIATING THE NECESSARY FUNDS THEREFOR AND DECLARING A NATIONAL POLICY OBJECTIVE FOR THE TOTAL ELECTRIFICATION OF THE PHILIPPINES ON AN AREA COVERAGE SERVICE BASIS, THE ORGANIZATION, PROMOTION AND DEVELOPMENT OF ELECTRIC COOPERATIVES TO ATTAIN THE SAID OBJECTIVE, PRESCRIBING TERMS AND CONDITIONS FOR THEIR OPERATIONS, THE REPEAL OF REPUBLIC ACT NO. 6038, AND FOR OTHER PURPOSES. August 6, 1973.

²⁹ AN ACT DECLARING A NATIONAL POLICY OBJECTIVE FOR THE TOTAL ELECTRIFICATION OF THE PHILIPPINES ON AN AREA COVERAGE SERVICE BASIS, PROVIDING FOR THE ORGANIZATION OF THE NATIONAL ELECTRIFICATION ADMINISTRATION, THE ORGANIZATION, PROMOTION AND DEVELOPMENT OF ELECTRIC COOPERATIVES TO ATTAIN THE OBJECTIVE, PRESCRIBING TERMS AND CONDITIONS FOR THEIR OPERATION, THE REPEAL OF R.A. NO. 2717, AND FOR OTHER PURPOSES. July 28, 1969.

³⁰ Chapter I, Section 3(b).

³¹ Chapter III, Section 15.

³² Chapter III, Section 16.

³³ AN ACT ORDAINING REFORMS IN THE ELECTRIC POWER INDUSTRY, AMENDING FOR THE PURPOSE CERTAIN LAWS AND FOR OTHER PURPOSES otherwise known as the "Electric Power Industry Reform Act of 2001" or "EPIRA".

as a “distribution utility organized pursuant to [P.D. 269], as amended, xxx.”³⁴

Thus, organization under P.D. 269 sufficiently vests upon electric cooperatives' juridical personality enjoying corporate powers. Registration with the SEC becomes relevant only when a non-stock, non-profit electric cooperative decides to convert into and register as a stock corporation.³⁵ As such, and even without choosing to convert and register as a stock corporation, electric cooperatives already enjoy powers and corporate existence *akin* to a corporation.

By jurisprudence, termination disputes involving corporate officers are treated differently from illegal dismissal cases lodged by ordinary employees. Oft-cited is the case of *Tabang v. NLRC*³⁶ distinguishing between “officers” and “employees” as follows:

xxx an "office" is created by the charter of the corporation and the officer is elected by the directors or stockholders. On the other hand, an "employee" usually occupies no office and generally is employed not by action of the directors or stockholders but by the managing officer of the corporation who also determines the compensation to be paid to such employee.³⁷

As a rule, the illegal dismissal of an officer or other employee of a private employer is properly cognizable by the labor arbiter pursuant to Article 217 (a)²³⁸ of the Labor Code, as amended.

³⁴ Section 4(q), RA 9136.

³⁵ Section 12 of RA 10531 or AN ACT STRENGTHENING THE NATIONAL ELECTRIFICATION ADMINISTRATION, FURTHER AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 269, AS AMENDED, OTHERWISE KNOWN AS THE "NATIONAL ELECTRIFICATION ADMINISTRATION DECREE", Approved on May 7, 2013, provides:

“Section 12. Section 32 of Presidential Decree No. 269, as amended, is hereby further amended to read as follows:

"SEC. 32. *Registration of All Electric Cooperatives.* – All electric cooperatives may choose to remain as a non-stock, non-profit cooperative or convert into and register as: (a) a stock cooperative under the CDA; or (b) a stock corporation under the SEC, in accordance with the guidelines to be included in the IRR of this Act.

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³⁶ 334 Phil. 424 (1997).

³⁷ *Id.* at 429.

³⁸ Article 217. *Jurisdiction of the Labor Arbiters and the Commission.* - (a) Except as otherwise provided under this Code, the Labor Arbiters shall have original and exclusive jurisdiction to hear and decide, within thirty (30) calendar days after the submission of the case by the parties for decision without extension, even in the absence of stenographic notes, the following cases involving all workers, whether agricultural or non-agricultural:

1. Unfair labor practice cases;
2. Termination disputes;
3. If accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment;

By way of exception, where the complaint for illegal dismissal involves a corporate officer, the controversy falls under the jurisdiction of the SEC, because the controversy arises out of intra-corporate or partnership relations between and among stockholders, members, or associates, or between any or all of them and the corporation, partnership, or association of which they are stockholders, members, or associates, respectively; and between such corporation, partnership, or association and the State insofar as the controversy concerns their individual franchise or right to exist as such entity; or because the controversy involves the election or appointment of a director, trustee, officer, or manager of such corporation, partnership, or association.³⁹ With the advent of Republic Act No. 8799⁴⁰ (R.A. 8799) or The Securities Regulation Code, the SEC's jurisdiction over all intra-corporate disputes was transferred to the regional trial courts.⁴¹ Since Ellao filed his Complaint for illegal dismissal on February 23, 2011, after the passage and approval of R.A. 8799, his complaint may either fall under the jurisdiction of the labor arbiter or the regional trial courts, depending on his position. If Ellao is determined to be a corporate officer then jurisdiction over his complaint for illegal dismissal is to be treated as an intra-corporate dispute, hence jurisdiction belongs to the regional trial courts.

In *Matling Industrial and Commercial Corporation, et al., v. Ricardo Coros*,⁴² the Court held that in conformity with Section 25⁴³ of the

4. Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relations;
5. Cases arising from any violation of Article 264 of this Code, including questions involving the legality of strikes and lockouts; and
6. Except claims for Employees Compensation, Social Security, Medicare and maternity benefits, all other claims arising from employer-employee relations, including those of persons in domestic or household service, involving an amount exceeding five thousand pesos (P5,000.00) regardless of whether accompanied with a claim for reinstatement.

(b) The Commission shall have exclusive appellate jurisdiction over all cases decided by Labor Arbiters.

(c) Cases arising from the interpretation or implementation of collective bargaining agreements and those arising from the interpretation or enforcement of company personnel policies shall be disposed of by the Labor Arbiter by referring the same to the grievance machinery and voluntary arbitration as may be provided in said agreements. (As amended by Section 9, Republic Act No. 6715, March 21, 1989).

³⁹ Section 5 of Presidential Decree No. 902-A.

⁴⁰ Approved on July 19, 2000.

⁴¹ Section 5.2 of RA No. 8799, provides:

5.2. The Commission's jurisdiction over all cases enumerated under Section 5 of Presidential Decree No. 902-A is hereby transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court: *Provided*, that the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over these cases. The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. The Commission shall retain jurisdiction over pending suspension of payment/rehabilitation cases filed as of 30 June 2000 until finally disposed.

⁴² 647 Phil. 324, 342-343 (2010).

⁴³ Section 25. *Corporate officers, quorum.*--Immediately after their election, the directors of a corporation must formally organize by the election of a president, who shall be a director, a treasurer who may or may not be a director, a secretary who shall be a resident and citizen of the Philippines, **and such other officers as may be provided for in the by-laws.** Any two (2) or more positions may be held

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Corporation Code, “a position must be expressly mentioned in the By-Laws in order to be considered as a corporate office. Thus, the creation of an office pursuant to or under a By-Law enabling provision is not enough to make a position a corporate office.” Citing *Guerrea v. Lezama, et al.*,⁴⁴ *Matling* held that the only officers of a corporation were those given that character either by the Corporation Code or by the By-Laws so much so that the rest of the corporate officers could be considered only as employees or subordinate officials.

Here, the position of General Manager is expressly provided for under Article VI, Section 10 of BATELEC I's By-laws, enumerating the cooperative offices as follows:

ARTICLE VI – OFFICERS

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SECTION 10. General Manager

a. The management of the Cooperative shall be vested in a General Manager who shall be appointed by the Board and who shall be responsible to the Board for performance of his duties as set forth in a position description adopted by the Board, in conformance with guidelines established by the National Electrification Administration. It is incumbent upon the Manager to keep the Board fully informed of all aspects of the operations and activities of the Cooperative. The appointment and dismissal of the General Manager shall require approval of NEA.

b. No member of the board may hold or apply for the position of General Manager while serving as a Director or within twelve months following his resignation or the termination of his tenure.⁴⁵

Evidently, the functions of the office of the General Manager, *i.e.*, management of the Cooperative and to keep the Board fully informed of all aspects of the operations and activities of the Cooperative are specifically laid down under BATELEC I's By-laws itself. It is therefore beyond cavil that Ellao's position as General Manager is a cooperative office. Accordingly, his complaint for illegal dismissal partakes of the nature of an intra-cooperative controversy; it involves a dispute between a cooperative officer on one hand, and the Board of Directors, on the other.

On this score, the Court's pronouncement in *Celso F. Pascual, Sr. and Serafin Terencio v. Caniogan Credit and Development Cooperative*,⁴⁶ finds suitable application:

concurrently by the same person, except that no one shall act as president and secretary or as president and treasurer at the same time. (Emphasis Ours)

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⁴⁴ 103 Phil. 553, 555-556 (1958).

⁴⁵ *Rollo*, p. 569.

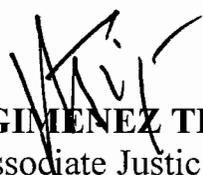
⁴⁶ 764 Phil. 477 (2015).

Petitioners clarify that they do not take issue on the power of the Board of Directors to remove them. Rather, they dispute the "manner, cause[,] and legality" of their removal from their respective offices as General Manager and Collection Manager. Even so, we hold that an officer's dismissal is a matter that comes with the conduct and management of the affairs of a cooperative and/or an intra-cooperative controversy, and that nature is not altered by reason or wisdom that the Board of Directors may have in taking such action. Accordingly, the case a quo is not a labor dispute requiring the expertise of the Labor Arbiter or of the National Labor Relations Commission. It is an intra-cooperative dispute that is within the jurisdiction of the Regional Trial Court xxx.⁴⁷

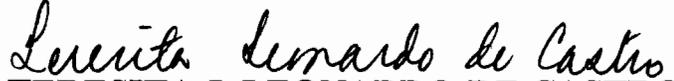
As such, the CA committed no reversible error when it ordered the dismissal of Ellao's Complaint for illegal dismissal without prejudice to the latter's filing of his complaint at the proper forum. Considering that the Labor Arbiter and the NLRC were without ample jurisdiction to take cognizance of Ellao's Complaint, the labor tribunals' rulings therein made are resultantly void. There is therefore no need to discuss the issue on illegal dismissal and monetary claims at this point.

WHEREFORE, the petition is **DENIED**. The Decision dated April 26, 2013 and Resolution dated August 28, 2013 of the Court of Appeals in CA-G.R. SP No. 127281 are **AFFIRMED**.

SO ORDERED.


NOEL GIMENEZ TIJAM
Associate Justice

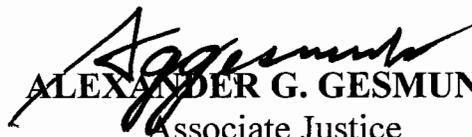
WE CONCUR:


TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson

⁴⁷ Id. at 487.


MARIANO C. DEL CASTILLO
Associate Justice


FRANCIS H. JARDELEZA
Associate Justice


ALEXANDER G. GESMUNDO
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.


TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Acting 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.


ANTONIO T. CARPIO
Senior Associate Justice
(Per Section 12, R.A. 296,
The Judiciary Act of 1948, as amended)