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Ms. Laura Phillips
Deputy Chief Auditor
Office of the Secretary, PCAOB
1666 K Street, N.W.,
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 021

February 16, 2007

Dear Laura,

San Jose Water Company is in full support of the new proposal on the subject of switching from rule-based to principles-based accounting; putting more focus on risk and materiality, and help management make their evaluation process more efficient and cost-effective.

Our company's annual revenue is under \$200M; however, we have to spend approximately half a million dollars per year just to comply with SOX, not including the 2+ dedicated in-house staff working on SOX, as well as the significant time I spend on the topic. On top of that, every single one of our staff has to work longer and harder because of the extra burden of SOX compliance. Because our industry is heavily regulated, we cannot pass on the extra cost to our customer without prior approval, and the approval process is vigorous and takes place once every 3 years.

The current SOX approach of documentation and testing do not allow procedures and processes to be properly evaluated for their overall effectiveness. At smaller companies, segregation of duties is often more difficult to accomplish due to limited staff and resources, so excessive documentation and testing is burdensome for smaller firms. We believe the most important control is the "tone at the top," and we fully support the streamlining and simplifying the whole process of SOX for small companies.

Based on the above explanation, we believe that PCAOB should coordinate with the SEC's efforts and rewrite audit guidelines for auditing firms to provide the use of better judgments and appropriate audit procedures in auditing smaller companies. We also believe that auditors should be able to rely on the work of others (such as company's internal auditor, as well as 3rd party testers), and make the audit more scalable for smaller and less complex companies. Our audit fee has increased significantly after SOX due to the increased scope of work, and some of the focus is unnecessary and inefficient.

Thank you very much for your attention regarding this matter.

Sincerely,

A handwritten signature in black ink that reads 'Angela Yip' in a cursive script.

Angela Yip