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OFFICE OF THE SEC

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-24-06

February 16, 2007

Dear Nancy,

San Jose Water Company is a regulated utility providing water service to approximately a million people in the heart of the Silicon Valley. San Jose Water Company is in full support of the Securities and Exchange Commission's new proposal on the subject of switching from rule-based to principles-based accounting; putting more focus on risk and materiality, and helping management make their evaluation process more efficient and cost-effective.

San Jose Water Company's annual revenue is under \$200M; however, we have to spend approximately half a million dollars annually on external audit fees and on the testing and monitoring of the control activities just to comply with SOX 404. This cost does not include the two dedicated in-house staff hired since the implementation of SOX 404, primarily working on control activities, 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, the approval process is vigorous and takes place once every 3 years.

The current approach required by SOX 404 does not encourage procedures and processes to be properly documented and tested based on the overall effectiveness of the control framework. 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 and effective control is the "tone at the top," and we fully support streamlining and simplifying the whole process of SOX for small companies.

We welcome some flexibility and streamlining in the efforts.

Thank you,

Angela Yip

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