



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Mail Stop 6010

December 7, 2007

Mr. John Lackland  
Chief Financial Officer  
Power Efficiency Corporation  
3960 Howard Hughes Pkwy, Ste 460  
Las Vegas, NV 89169

RE: **Power Efficiency Corporation**  
**Form 10-KSB for the year ended December 31, 2006**  
**Form 10-QSB as of June 30, 2007**  
**File No. 0-31805**

Dear Mr. Lackland :

We have reviewed your letter dated on November 12, 2007 and have the following comments. Where indicated, we think you should revise your future documents in response to these comments. If you disagree, we will consider your explanation as to why our comment is inapplicable or a revision is unnecessary. Please be as detailed as necessary in your explanation. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure. After reviewing this information, we may raise additional comments.

Please understand that the purpose of our review process is to assist you in your compliance with the applicable disclosure requirements and to enhance the overall disclosure in your filing. We look forward to working with you in these respects. We welcome any questions you may have about our comments or any other aspect of our review. Feel free to call us at the telephone numbers listed at the end of this letter.

Form 10-K for the year ended December 31, 2006

Product Warranties, page 33

1. Please refer to prior comment 6. We note from your response that you have not been able to establish an accurate warranty accrual based on historical information. In your response, you refer to SAB Topic 13.A.3(c), including the Interpretive Response to Question 1. It appears based on your response that you have concluded that the warranty obligation is inconsequential or perfunctory. However, you continue to state that you have not been able to establish an accurate warranty accrual rate based on your historical information. Please note the guidance in the Interpretive Responses to Questions 1 and 2 of SAB Topic 13.A.3(c), which states that in order to determine a remaining obligation is inconsequential or perfunctory, the seller should have a demonstrated history of reliably estimating its costs. Please address the following:
  - Explain to us how you concluded that the warranty obligation is inconsequential or perfunctory, giving consideration to the guidance in Interpretive Response to Question 2 of SAB Topic 13.A.3(c).
  - With respect to estimating the amount of warranty expense, please consider the guidance in paragraph 25 of SFAS 5, which permits reference to the experience of other enterprises in the same business in establishing the estimated warranty expense.

Note 11 – Warrants, page 38

2. Please refer to prior comment 9. We note from your response that fair value of warrants issued in connection with your November 2006 debt issuance was expensed to interest expense. It is unclear as to why the entire fair value of the warrants was charged to interest expense in your 2006 financial statements. Tell us why you did not record the debt at a discount and amortize that discount over the term of the debt agreement. Explain how your accounting complies with paragraph 16 of APB 14 and paragraph 16 of APB 12.

As appropriate, please respond to these comments within 10 business days or tell us when you will provide us with a response. Please furnish a cover letter that keys your responses to our comments and provides any requested information. Detailed cover letters greatly facilitate our review. Please understand that we may have additional comments after reviewing your responses to our comments.

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You may contact Eric Atallah, Staff Accountant, at (202) 551-3663 or me at (202) 551-3643 regarding comments on the financial statements and related matters. In this regard, do not hesitate to contact, Martin James, Senior Assistant Chief Accountant at (202) 551-3671 with any other questions.

Sincerely,

Kevin L. Vaughn  
Branch Chief