

Mail Stop 3561

January 5, 2007

Barry J. Sanders, President
American DG Energy Inc.
45 First Avenue
Waltham, Massachusetts 02451

**Re: American DG Energy Inc.
Amendment No. 2 to Form 10-SB
Filed December 15, 2006
File No. 0-52294**

Dear Mr. Sanders:

We have reviewed your filing and have the following comments. Where indicated, we think you should revise your document 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. Feel free to call us at the telephone numbers listed at the end of this letter.

Item 1. Description of Business, page 3

1. We note your response to comment 2 of our letter of November 30, 2006. Please file as correspondence on EDGAR the supplemental information you furnished us. Revise your document to reflect the changes you indicated. Also, please file as an exhibit to your amended document the consent of DE Solutions to the inclusion in your document of information based on their report.

The Role of Distributed Generation, page 5

2. The second paragraph states that distributed generation significantly lowers utility costs for power users and building operators. However, the fourth paragraph states that you offer your customers a rate that is below or at the rate of the local electric utility and that your customers are contractually bound and cannot switch from using your system to using the public utility grid only for the energy you supply. Therefore it appears that your DG system may not in all cases significantly lower utility costs for power users and building operators depending on electric rates and the duration of the customer's contract with you. Please advise or revise.

3. We note your response to comment 4 in our letter dated November 30, 2006. In the third paragraph, please explain in further detail the statement that in most cases your equipment runs “parallel” to the electric utility grid. Does the grid serve as a back-up for your system if your power is insufficient for the customer’s needs? Does your system serve the needs of the customer concurrent with the grid? Please explain.

Risk Factors, page 12

4. Please refer to the risk factor captioned “There has been a significant deficiency in our financial controls and procedures.” Please revise this caption to describe the potential risks of this deficiency, such as financial fraud and error.

Controls and Procedures, page 26

5. We note your disclosure that your chief executive officer and chief financial officer concluded that your company’s disclosure controls and procedures are effective in timely alerting them to material information required to be included in your periodic reports. Please revise your disclosure to state whether your controls are effective to give reasonable assurance that the information required to be disclosed by your company in reports that you file under the Exchange Act is recorded, processed, summarized and reported as when required. See Exchange Act Rule 13a-15(e).
6. Revise your disclosure to indicate that you performed your evaluation as of the end of the period covered by the report rather than a specific date.
7. We note your disclosure that a material deficiency exists with regard to your disclosure controls and procedures. Please revise your disclosures to provide a more comprehensive discussion of the lack of segregation of duties and how you determined that the risks associated with the separation of duties are insignificant. For example, please identify the nature of the duties (e.g. custody of assets, record keeping, review, etc), the level of the employees, and risks involved (e.g., employee may convert assets for personal use and not make appropriate accounting entries). Disclose how you determined that the risks were insignificant and steps you have taken to mitigate the risks. You disclose that you have considered the employees involved and other control procedures. Disclose what you have identified with respect to the employees involved and identify the mitigating control procedures that have allowed you to conclude that the risks are insignificant.

Consolidated Financial Statements – December 31, 2005

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies, page 50

Property and Equipment and Depreciation and Amortization, page 52

8. We note your revised disclosure in response to comment 27 of our letter dated November 30, 2006. Please explain your basis for an estimated useful life of 10 years for computer equipment and software, or revise your estimate accordingly for this asset category.

Revenue Recognition, page 53

9. We note your response to comment 30 of our letter dated November 30, 2006. However your revenue recognition policy is still not clear to us. Please explain in detail to us and revise your disclosure to clarify the nature and basis for recognition of each source of revenue such as the sale of energy and the purchase of on-site DG systems by customers. In instances where you own the DG system installed on-site, please explain to us and clarify in your disclosure if you recognize any revenue on these systems when you complete installation. Tell us if the price you charge for energy includes an amount related to usage of the DG system you installed. If the amount you charge customers for energy produced varies depending upon whether you own the system, please disclose your compliance with EITF 00-21, or explain to us your basis in GAAP why you do not have to comply with this standard. Please also clarify who is responsible for providing maintenance service on DG systems installed, but independently owned by a customer. It is also not clear to us how you recognize revenue based on energy savings. Please explain to us in more detail and expand the disclosure of your revenue recognition policy and revise your disclosure to clarify how you recognize revenue from service contracts based on energy savings realized by the co-generation site.

Note 9. Related Party Transactions, page 54

10. We note your response to comment 25 of our letter dated November 30, 2006 regarding the purchase of 1,998,750 shares of common stock during 2005 for \$147,225 and the retirement of a promissory note of \$292,500 and the retirement of a convertible promissory note of \$30,000, both held by CDC. Please explain to us how you accounted for this transaction based on amounts provided in your response. Based on your response, it appears that you acquired the common stock for \$0.235 per share instead of the apparent fair market price of \$0.70. Please confirm if our understanding is correct and reconcile the amounts in your

response to \$207,225 disclosed for this transaction in your statements of stockholders' equity.

11. We note your response to comment 31 of our letter dated November 30, 2006 regarding the 876,800 shares of common stock issued on July 1, 2006 to Tecogen employees and consultants. Please explain to us the timing of this issuance of stock to Tecogen employees and why it was not completed at the time of the reorganization at the end of fiscal 2005. Please revise the general and administrative expense line item on your statement of operations to disclose the \$612,883 as non-cash stock-based awards expense included for the applicable period.

You may contact Milwood Hobbs, Staff Accountant, at (202) 551-3241 or Michael Moran Accounting Branch Chief, at (202) 551-3841 if you have questions regarding comments on the financial statements and related matters. Please contact Anita Karu, Attorney-Advisor, at 202-551-3240, or me at 202-551-3725 with any other questions.

Sincerely,

H. Christopher Owings
Assistant Director

cc: Edward Miller, Esq.
Fax: 617-338-2880