

ENVIRONMENTAL POWER CORP

Form 4

July 18, 2006

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Kessel Richard E

(Last) (First) (Middle)

C/O ENVIRONMENTAL POWER
CORPORATION, ONE CATE
STREET, 4TH FLOOR

(Street)

PORTSMOUTH, NH 03801

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
ENVIRONMENTAL POWER
CORP [(EPG)]

3. Date of Earliest Transaction
(Month/Day/Year)
07/17/2006

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
__X__ Officer (give title below) ____ Other (specify below)
President and CEO

6. Individual or Joint/Group Filing(Check
Applicable Line)
__X__ Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount Underlying Security (Instr. 3 and 4)	8. Amount of Underlying Security
Non-Statutory Stock Option (right to buy)	\$ 6.3	07/17/2006		A	250,000	⁽¹⁾ 07/16/2016	Common Stock	250,000
Non-Statutory Stock Option (right to buy)	\$ 6.3	07/17/2006		A	150,000	⁽³⁾ 07/16/2016	Common Stock	150,000

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
Kessel Richard E C/O ENVIRONMENTAL POWER CORPORATION ONE CATE STREET, 4TH FLOOR PORTSMOUTH, NH 03801	President and CEO

Signatures

/s/ Scott E. Pueschel,
Attorney-in-Fact 07/18/2006

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) This option becomes exercisable as to 100,000 shares on the six-month anniversary of the grant date, an additional 100,000 shares on the 18-month anniversary of the grant date and the remaining 50,000 shares on the 24-month anniversary of the grant date.
- (2) Not Applicable.
- (3) This option becomes exercisable only in the event that the closing price of the issuer's common stock American Stock Exchange (or such other national securities change or automated quotation system on which the common stock is then listed) equals or exceeds \$10.00 per share on or before December 28, 2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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