
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

June 28, 2006

Appliance Recycling Centers of America, Inc.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

000-19621
(Commission
File Number)

41-1454591
(IRS Employer
Identification No.)

7400 Excelsior Blvd., Minneapolis, MN
(Address of principal executive offices)

55426-4517
(Zip Code)

Registrant's telephone number, including area code

(952) 930-9000

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01: ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On June 28, 2006, Appliance Recycling Centers of America, Inc. (ARCA) issued a press release announcing that San Diego Gas & Electric Company (SDG&E) has awarded ARCA a contract to continue providing appliance recycling services for SDG&E's Appliance Recycling Program (Program), which has been extended through 2008. Under terms of the agreement, ARCA will recycle old, inefficient but working refrigerators, freezers and room air conditioners for SDG&E's residential and small commercial customers throughout San Diego County and southern Orange County. ARCA is responsible for advertising the Program. ARCA is not assured of any minimum volume of appliances under the Program. A copy of the contract and press release are furnished as exhibits to this report.

ITEM 9.01: FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.1	Agreement dated 5/24/2006 between San Diego Gas & Electric and the Company.
99.1	Press Release dated June 28, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.

Date: July 5, 2006

/s/ Linda Koenig

Linda Koenig, Chief Financial Officer

San Diego Gas & Electric Company Standard Service Agreement for Labor and/or Services

PROJECT: **APPLIANCE RECYCLING PROGRAM**

MAIL ORIGINAL AND DUPLICATE INVOICE TO

CONTRACTOR:	APPLIANCE RECYCLING CENTERS OF AMERICA, INC.	San Diego Gas & Electric Company
	7400 EXCELSIOR BLVD	ACCOUNTS PAYABLE
	MINNEAPOLIS, Minnesota 55426	P.O. BOX 129007 San Diego, CA 92112

This Standard Service Agreement (this "Agreement") is made effective as of 5/24/2006 between SAN DIEGO GAS & ELECTRIC COMPANY ("Company") and APPLIANCE RECYCLING CENTERS OF AMERICA, INC. ("Contractor").

The Parties hereby agree as follows:

SCOPE

Contractor shall perform, at its own proper cost and expense, in the most substantial and skillful manner, to the satisfaction of Company, the following generally described services:

Contractor shall recycle the inventory of inefficient refrigerators, freezers and room air conditioners within Company's service territory ("Work") in accordance with the Appliance Recycling Program described in Schedule D - Concept Papers ("Program").

The Work, including the scope of work, specifications, schedule of milestones and deliverables, and performance standards, is more fully described in Schedule B - 2006-2008 Appliance Recycling Centers of America - Appliance Recycling Program Scope of Work.

PROJECT LOCATION

San Diego Gas & Electric Company Service Territory

AUTHORIZED REPRESENTATIVES

Company designates the individual or individuals named below as Company Representatives for all matters relating to the performance of the Work. The actions taken by the Company Representatives shall be deemed acts of the Company. Company may at any time upon written notice to Contractor change the designated Company Representative.

Company Representative: Kurt Kaufman

Contractor designates the individual or individuals named below as Contractor Representative for all matters relating to the performance of Work. The actions taken by Contractor Representative shall be deemed acts of Contractor. Contractor Representative or designated superintendent shall be at the jobsite at all times during the Work. Contractor may at any time upon written notice to Company change the designated Contractor Representative.

Contractor Representative: Edward R. (Jack) Cameron

COMPENSATION

In accordance with the Compensation Article, Contractor shall be compensated up to the total firm-fixed-price of **\$8,061,195** ("Authorized Budget") for performance of the Work in accordance with this Agreement. Contractor shall not be entitled to any compensation in excess of the Authorized Budget for performance of the Work.

Contractor shall invoice Company, and Company agrees to pay Contractor, in accordance with Schedule C - Compensation Schedule. All invoices submitted to Company must report all costs and expenses incurred by Contractor using the allowable cost elements set forth in Schedule E - Reporting Requirements/Allowable Costs.

COMMENCEMENT AND COMPLETION OF SERVICES

This Agreement shall commence as of 5/24/2006 and shall be in full force and effect through 6/30/2009 unless terminated earlier by Company in accordance with the terms of this Agreement; provided, however that all Work must be completed by no later than December 31, 2008. Contractor agrees to commence and perform the Work in accordance with the requests of Company Representative identified herein. The nature of the Work is such that timely performance is critical to the orderly progress of related work and to the operating schedule of Company.

INVOICING INSTRUCTIONS

Contractor shall invoice Company in accordance with Schedule C - Compensation Schedule. All invoices submitted shall reference the Standard Service Agreement Number and have complete support documentation of all charges incurred, including any data required to calculate fees or variable rate changes, plus support documentation for any authorized reimbursable expenses by category.

Contractor shall submit all final invoices to Company no later than March 31, 2009.

Company shall make payment Net 30 days after receipt and approval of an undisputed invoice to the following address or to the address on each Release, if applicable:

7400 EXCELSIOR BLVD
MINNEAPOLIS, MINNESOTA 55426

NOTICES OR DEMANDS

All notices to be given under this Agreement shall be in writing and either sent by: (1) pre-paid U.S. first class mail, in which case such notice will be deemed delivered as of two (2) business days after mailing; (2) a nationally recognized pre-paid overnight courier service, in which case notice shall be deemed delivered as of the date shown on the courier's delivery receipt; or (3) facsimile sent during business hours, in which case notice shall be deemed delivered when a transmission report is generated reflecting the accurate transmission of the notice. Notices shall be addressed as follows:

Company:	San Diego Gas & Electric Company Attn: Kurt Kaufman 8335 Century Park Ct San Diego CA 92123-1569 Facsimile: 858-636-6803
Contractor:	Appliance Recycling Centers of America, Inc. 7400 Excelsior Blvd Minneapolis, Minnesota 55426 Facsimile: 952-930-1800 Attention: Edward R. (Jack) Cameron

These addresses may be changed by written notice to the other party; provided, that no notice of a change of address shall be effective until actual receipt of such notice.

COMPLETE AGREEMENT

This Agreement, including all Schedules attached hereto and which are incorporated by reference, constitutes the complete and entire Agreement between the parties and supersedes any previous communications, representations or agreements, whether oral or written, with respect to the subject matter hereof. There are no additions to, or deletions from, or changes in, any of the provisions hereof, and no understandings, representations or agreements concerning any of the same, which are not expressed herein. **THE PARTIES HEREBY AGREE THAT NO TRADE USAGE; PRIOR COURSE OF DEALING OR COURSE OF PERFORMANCE UNDER THIS AGREEMENT SHALL BE A PART OF THIS AGREEMENT OR SHALL BE USED IN THE INTERPRETATION OR CONSTRUCTION OF THIS AGREEMENT.** The following Schedules are attached hereto and incorporated herein by this reference:

SCHEDULE A - GENERAL TERMS AND CONDITIONS
SCHEDULE B - 2006-2008 APPLIANCE RECYCLING CENTERS OF AMERICA - APPLIANCE RECYCLING PROGRAM SCOPE OF WORK
SCHEDULE C - COMPENSATION SCHEDULE
SCHEDULE D - CONCEPT PAPERS
SCHEDULE E - REPORTING REQUIREMENTS/ALLOWABLE COSTS
SCHEDULE F - EM & V PLAN
SCHEDULE G - DBE SUBCONTRACTING PLAN

IN WITNESS WHEREOF, the parties have executed this Agreement as of 5/24/2006.

San Diego Gas & Electric Company

Contractor Name:
APPLIANCE RECYCLING CENTERS OF
AMERICA, INC.

By:
/s/ Margot Kyd
Name: Margot Kyd

Title: Vice-President, Supply Management

By:
/s/ Edward R. (Jack) Cameron
Name: Edward R. (Jack) Cameron

Title: Chief Executive Officer



Appliance Recycling Centers of America, Inc.
7400 Excelsior Boulevard, Minneapolis MN 55426 (952) 930-9000

For Immediate Release

For information contact:
Edward R. (Jack) Cameron (CEO)
Linda A. Koenig (CFO) (952) 930-9000

Richard G. Cinquina
Equity Market Partners
(904) 415-1415

Appliance Recycling Centers of America Awarded Three-Year

Contract to Continue to Provide Services for San Diego Gas & Electric

Minneapolis, MN—June 28, 2006—Appliance Recycling Centers of America, Inc. (Nasdaq: ARCI) today announced that San Diego Gas & Electric Company (SDG&E) has awarded ARCA a contract to continue to provide appliance recycling services for the utility's energy efficiency program, which has been extended through 2008.

Under terms of the 2006-2008 contract, ARCA expects to recycle approximately 17,000 old, inefficient but working refrigerators, freezers and room air conditioners during each year of this three-year contract for SDG&E's residential and small commercial customers in southern California. Since 2000, ARCA has recycled more than 70,000 working but energy inefficient refrigerators, freezers and room air conditioners for SDG&E's customers.

SDG&E, a subsidiary of Sempra Energy, provides electricity throughout San Diego County and southern Orange County. The utility serves 3.3 million consumers through 1.3 million residential and business accounts spanning a 4,100 square-mile area.

Edward R. (Jack) Cameron, president and chief executive officer, said, "We are gratified that SDG&E has once again selected ARCA to provide appliance recycling services in support of their energy

efficiency program. By continuing their efforts to permanently remove old but working refrigerators, freezers and room air conditioners from service, SDG&E and their customers are making a significant contribution to conserving Southern California's energy resources."

About ARCA

ARCA (www.arcainc.com) is the nation's largest recycler of major household appliances for the energy conservation programs of electric utilities. Through its ApplianceSmart (www.ApplianceSmart.com) operation, ARCA is also one of the nation's leading retailers of special-buy household appliances, primarily those manufactured by Maytag, GE, Frigidaire and Whirlpool. These special-buy appliances, which include close-outs, factory overruns and scratch-and-dent units, typically are not integrated into the manufacturer's normal distribution channel. ApplianceSmart sells these virtually new appliances at a discount to full retail, offers a 100% money-back guarantee and provides warranties on parts and labor. As of June 2006, ApplianceSmart is operating 13 factory outlets: five in the Minneapolis/St. Paul market; three in the Columbus, Ohio, market; two in the Atlanta market; two in San Antonio, Texas; and one in Los Angeles.

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<p>Statements about ARCA's outlook are forward-looking and involve risks and uncertainties, including but not limited to: the strength of recycling programs, the growth of appliance retail sales, the speed at which individual retail stores reach profitability, and other factors discussed in the Company's filings with the Securities and Exchange Commission.</p>
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Visit our web sites at www.arcainc.com and www.appliancesmart.com.
