

**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) **April 30, 2007**

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))

ITEM 1.01: ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On April 30, 2007, Appliance Recycling Centers of America, Inc. (ARCA) issued a press release announcing that its recycling contract with the Southern California Public Power Authority (SCPPA) has been expanded to include the Los Angeles Department of Water and Power (LADWP), for whom ARCA will replace and recycle 50,000 old, inefficient refrigerators owned by low-income residents in the city. The 12-month program is expected to generate revenues for ARCA of approximately \$25 million.

A copy of the agreement amendment 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 amendment dated 3/1/2007 between the Southern California Public Power Authority and the Company.
99.1	Press Release dated April 30, 2007.

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: May 1, 2007

/s/ Patrick J. Winters
Patrick J. Winters, Controller

**FIRST AMENDMENT TO
THE AGREEMENT BETWEEN THE
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
AND
APPLIANCE RECYCLING CENTERS OF AMERICA-CALIFORNIA, INC.**

PARTIES

This First Amendment ("First Amendment") to the agreement ("Agreement") dated July 1, 2006 between and Appliance Recycling Centers of America-California, Inc., a California Corporation ("ARCA"), and the Southern California Public Power Authority, a joint powers agency organized under the laws of the State of California ("SCPPA"), each sometimes referred to individually as "Party" and collectively as "Parties," is made and entered into by the Parties as of the 1st day of March 2007.

RECITALS

The purpose of this First Amendment is (i) to increase the total expenditure limit under the Agreement from \$300,000 to \$25,300,000 to accommodate the participation of the City of Los Angeles, acting by and through the Department of Water and Power ("LADWP"), (ii) to reduce certain prices for services, which will benefit all participating utilities, (iii) for ARCA to store and deliver a minimum of two compact fluorescent bulbs, provided by the participating utilities, with each refrigerator recycling or delivery order, and (iv) to modify or add several other provisions in the Agreement.

AGREEMENT

For and in consideration of the promises and the mutual covenants and agreements hereinafter set forth, the Parties agree hereto as follows.

AMENDMENT TO SECTIONS OR SUBSECTIONS OF THE AGREEMENT1. Amend Section 3.8 of the Agreement to read:

3.8 Contract Period: The period beginning with time of effectiveness date as July 1, 2006 through December 31, 2008.

2. Amend Section 3.15 to read:

3.15 New Refrigerator: Energy-efficient and Energy Star® approved refrigerator, purchased from ARCA by SCPPA, that replaces Primary Refrigerator utilized by customer prior to installation of New Refrigerator.

3. Amend Subsections 3.32 (a.) and 3.32 (c.) to read:

- a. New Refrigerator acquisition and warehouse/inventory services. Contractor shall purchase designated refrigerators at prices reflected in Price Schedule (Exhibit A) upon written request from SCPPA.
- c. Customer services including, but not limited to, maintaining customer call center, appointment scheduling, pre-qualification services such as testing for grounded outlets, and other services as directed.

4. Add a new Subsection 3.32 (j.) to read:

j. Delivery of a minimum of two compact fluorescent light bulbs ("CFL") with each refrigerator exchange, as directed by and at the option of each participating utility. ARCA and each participating utility may mutually agree on the delivery of other customer incentive or promotional items in lieu of, or in addition to, CFLs.

5. Amend Subsection 4.1.2 to read:

4.1.2 Upon receipt and acceptance of an authorized Task Assignment, Contractor shall respond to customer calls or web-based reservations and inquiries and make arrangements for performance of the specified services within four (4) working days.

6. Add a new Subsection 4.1.10 to Section 4.1 to read:

4.1.10 Provide storage of CFLs for delivery with refrigerators as applicable under Section 3.32(j).

7. Amend Subsection 4.3.3 (b.) to read:

b. Providing adequate staff to receive and answer customer calls on toll-free lines as follows: Monday through Friday (except SCPPA holidays) - 7:30 a.m. to 8:00 p.m. (Pacific Standard Time) and Saturdays - 8:00 a.m. to 6:00 p.m. (Pacific Standard Time). At all other times, Contractor shall provide a recorded message with pertinent Program information and the capability for customer to leave a message for call back by Contractor. Such messages shall be returned the next business day and daily thereafter until customer has been contacted. All contacts and contact attempts shall be recorded in Contractor's Internet-based Program database and will be made available to SCPPA for review on a real-time basis.

8. Amend Subsection 4.3.5 to read:

4.3.5 Making deliveries, uncrating, setting up and installing New Refrigerators at Approved Customer residences, including performing initial test to confirm that outlet to which refrigerator is to be connected is properly grounded.

9. Amend Subsection 4.4.2 (c.) to read:

c. Acquisition of New Refrigerators as authorized and approved by SCPPA. Complete accounting of all New Refrigerator deliveries and Primary and/or Second

Refrigerators and Freezers collected and delivered to Appliance Delivery Warehouse or Recycling Center.

10. Add Subsection 4.6.6 to read:

4.6.6 Contractor agrees to provide the same refrigerator warranty support services for year two as is provided under the first year warranty conditions offered by the manufacturer.

11. Amend Subsection 6.3.1 to read:

6.3.1 Subcontractors/Joint Participation Agreement

With prior approval of Utility, Contractor may enter into subcontracts and joint participation agreements with others for the performance of portions of this Agreement. Contractor shall at all times be responsible for the acts and errors or omissions of its Subcontractors or joint participants and persons directly or indirectly employed by them. To the extent that Contractor provides service within the LADWP service territory, Contractor shall make a concerted effort to comply with LADWP's minority/women/other owned business enterprise ("MBE/WBE/OBE") program. Nothing in this Agreement shall constitute any contractual relationship between any others and SCPPA or any obligation on the part of SCPPA to pay, or to be responsible for the payment of, any sums to any Subcontractors.

12. Amend Subsection 6.7.2.2 to read:

6.7.2.2 Termination Due to Expenditure Limit

This Agreement will automatically terminate if expenditures reach the limit of \$25,300,000.

13. Amend Subsection 6.7.2.3 to read:

6.7.2.3 Expiration of Agreement

Unless amended by mutual agreement of the Parties, this Agreement expires on December 31, 2008.

14. Amend Section 7.3 to read:

7.3 The total amount of this Agreement shall not exceed \$25,300,000 without further appropriation to this Agreement by SCPPA.

EFFECT OF AMENDMENT

Except as provided herein, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have duly caused this First Amendment to the Agreement to be executed on their respective behalf by their duly authorized representatives.

APPLIANCE RECYCLING CENTERS OF AMERICA-CALIFORNIA, INC.

/s/Jack Cameron
By: JACK CAMERON
Its: President

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

/s/ Bill D. Carnahan
By: BILL D. CARNAHAN
Its: President



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

FOR IMMEDIATE RELEASE

FOR MORE INFORMATION CONTACT:
Edward R. (Jack) Cameron (952) 930-9000
Richard G. Cinquina, Equity Market Partners
(612) 338-0810

**ARCA Announces \$25 Million Expansion of Its Recycling Contract
with the Southern California Public Power Authority
to Replace and Recycle 50,000 Refrigerators
for the Los Angeles Department of Water and Power**

Minneapolis, MN—April 30, 2007—Appliance Recycling Centers of America (Nasdaq: ARCI) today announced that its recycling contract with the Southern California Public Power Authority (SCPPA) has been expanded to include the Los Angeles Department of Water and Power (LADWP), for whom ARCA will replace and recycle 50,000 old, inefficient refrigerators owned by low-income residents in the city. The 12-month program is expected to generate revenues for ARCA of approximately \$25 million.

SCPPA is a consortium of municipal utilities operating in Southern California.

Under this program, ARCA will remove 50,000 refrigerators at least 10 years old from the homes of low-income LADWP customers and replace them with new, high-efficiency units. ARCA will also dispose of the old, inefficient refrigerators in an environmentally sound manner.

According to the LADWP, the anticipated results of this program include:

- Reducing by 15% the monthly utility bills of low-income customers.
- Saving LADWP customers more than \$50 million over the estimated 18-year life of the refrigerators.

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- Saving 675 million kilowatt-hours of electricity that would have cost the LADWP approximately \$37 million to generate over the life of the refrigerators.
 - Eliminating the emission of more than 400,000 tons of CO₂ over the life of the refrigerators.

Edward R. (Jack) Cameron, ARCA's president and chief executive officer, commented: "We are gratified that the LADWP has entrusted ARCA with the implementation of this important energy conservation and environmental initiative, which is scheduled to commence April 30. Supported by our long experience in environmentally sound appliance recycling and established infrastructure in Southern California, ARCA is positioned to help make this program a success for the residents of Los Angeles."

About ARCA

ARCA is one of the nation's largest recyclers of major household appliances for the energy conservation programs of electric utilities. Through its ApplianceSmart operation, ARCA also is 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 April 2007, ApplianceSmart was operating 15 factory outlets: five in the Minneapolis/St. Paul market; three in the Columbus, Ohio, market; four in the Atlanta market; two in San Antonio, Texas; and one in Los Angeles.

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.

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Visit our web site at www.arcainc.com
