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

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2013**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number **001-12488**

Powell Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

**8550 Mosley Drive,
Houston, Texas**
(Address of principal executive offices)

88-0106100
*(I.R.S. Employer
Identification No.)*

77075-1180
(Zip Code)

Registrant's telephone number, including area code:

(713) 944-6900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At August 1, 2013, there were 11,957,218 outstanding shares of the registrant's common stock, par value \$0.01 per share.

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PART I — FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements**

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	June 30, 2013	September 30, 2012
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 124,865	\$ 90,040
Accounts receivable, less allowance for doubtful accounts of \$924 and \$1,399, respectively	111,494	125,771
Costs and estimated earnings in excess of billings on uncompleted contracts	73,806	86,734
Inventories	30,734	32,917
Income taxes receivable	3,611	485
Deferred income taxes	4,910	4,598
Prepaid expenses and other current assets	4,855	5,865
Total Current Assets	354,275	346,410
Property, plant and equipment, net	123,228	78,652
Goodwill	1,003	1,003
Intangible assets, net	11,996	13,317
Other assets	10,710	8,930
Total Assets	\$ 501,212	\$ 448,312
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 439	\$ 725
Income taxes payable	4,676	3,516
Accounts payable	53,754	48,490
Accrued salaries, bonuses and commissions	23,461	25,822
Billings in excess of costs and estimated earnings on uncompleted contracts	67,187	37,144
Accrued product warranty	4,791	5,714
Other accrued expenses	6,333	9,462
Total Current Liabilities	160,641	130,873
Long-term debt and capital lease obligations, net of current maturities	3,200	3,630
Deferred compensation	3,324	2,891
Other liabilities	918	815
Total Liabilities	168,083	138,209
Commitments and Contingencies (Note H)		
Stockholders' Equity:		
Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued	--	--
Common stock, par value \$.01; 30,000,000 shares authorized; 11,957,218 and 11,915,673 shares issued and outstanding, respectively	119	119
Additional paid-in capital	41,634	38,452
Retained earnings	295,427	271,911
Accumulated other comprehensive income (loss)	(4,051)	(379)
Total Stockholders' Equity	333,129	310,103
Total Liabilities and Stockholders' Equity	\$ 501,212	\$ 448,312

The accompanying notes are an integral part of these condensed consolidated financial statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues	\$ 179,519	\$ 194,093	\$ 487,375	\$ 533,035
Cost of goods sold	141,034	150,250	383,391	434,577
Gross profit	38,485	43,843	103,984	98,458
Selling, general and administrative expenses	23,805	24,826	70,238	66,112
Amortization of intangible assets	415	704	1,243	2,111
Restructuring and relocation expenses	1,717	-	1,717	-
Operating income	12,548	18,313	30,786	30,235
Other income	-	-	(1,709)	-
Interest expense	47	59	151	203
Interest income	(7)	(25)	(28)	(88)
Income before income taxes	12,508	18,279	32,372	30,120
Income tax provision	3,203	6,141	8,864	12,316
Net income	\$ 9,305	\$ 12,138	\$ 23,508	\$ 17,804
Earnings per share:				
Basic	\$ 0.78	\$ 1.03	\$ 1.97	\$ 1.51
Diluted	\$ 0.77	\$ 1.02	\$ 1.96	\$ 1.50
Weighted average shares:				
Basic	11,941	11,812	11,932	11,782
Diluted	12,016	11,861	12,007	11,834

The accompanying notes are an integral part of these condensed consolidated financial statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(In thousands)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income	\$ 9,305	\$ 12,138	\$ 23,508	\$ 17,804
Other comprehensive loss:				
Foreign currency translation adjustment	(1,801)	(732)	(3,672)	(113)
Other comprehensive loss	(1,801)	(732)	(3,672)	(113)
Comprehensive income	\$ 7,504	\$ 11,406	\$ 19,836	\$ 17,691

The accompanying notes are an integral part of these condensed consolidated financial statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Nine Months Ended June 30,	
	2013	2012
Operating Activities:		
Net income	\$ 23,508	\$ 17,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,523	7,703
Amortization	1,252	2,121
Stock-based compensation	3,247	894
Bad debt expense (recoveries)	(310)	509
Deferred income taxes	(287)	(273)
Changes in operating assets and liabilities:		
Accounts receivable, net	12,777	2,071
Costs and estimated earnings in excess of billings on uncompleted contracts	12,372	(35,423)
Inventories	1,976	(3,961)
Income tax receivable, prepaid expenses and other current assets	(2,216)	7,109
Accounts payable and income taxes payable	6,763	(1,257)
Accrued liabilities	(6,035)	490
Billings in excess of costs and estimated earnings on uncompleted contracts	30,320	8,880
Other	(1,224)	(208)
Net cash provided by operating activities	88,666	6,459
Investing Activities:		
Proceeds from sale of property, plant and equipment	711	158
Purchases of property, plant and equipment	(53,728)	(25,546)
Decrease in cash held in escrow	--	1,000
Net cash used in investing activities	(53,017)	(24,388)
Financing Activities:		
Borrowings on Canadian revolving line of credit	4,583	7,992
Payments on Canadian revolving line of credit	(4,583)	(7,992)
Payments on industrial development revenue bonds	(400)	(400)
Short-term financing and other	(316)	1,822
Net cash (used in) provided by financing activities	(716)	1,422
Net increase in cash and cash equivalents	34,933	(16,507)
Effect of exchange rate changes on cash and cash equivalents	(108)	(124)
Cash and cash equivalents, beginning of period	90,040	123,466
Cash and cash equivalents, end of period	\$ 124,865	\$ 106,835

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

A. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

Powell Industries, Inc. (we, us, our, Powell or the Company) was incorporated in the state of Delaware in 2004 as a successor to a Nevada company incorporated in 1968. The Nevada corporation was the successor to a company founded by William E. Powell in 1947, which merged into the Company in 1977. Our major subsidiaries, all of which are wholly-owned, include: Powell Electrical Systems, Inc.; Transdyn, Inc.; Powell Industries International, Inc.; Switchgear & Instrumentation Limited (S&I) and Powell Canada Inc.

We develop, design, manufacture and service custom engineered-to-order equipment and systems for the management and control of electrical energy and other critical processes. Headquartered in Houston, Texas, we serve the transportation, environmental, energy, industrial and utility industries.

Basis of Presentation

These unaudited condensed consolidated financial statements include the accounts of Powell and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP), have been condensed or omitted pursuant to those rules and regulations. We believe that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the financial position, results of operations and cash flows with respect to the interim consolidated financial statements have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of Powell and its subsidiaries included in Powell's Annual Report on Form 10-K for the year ended September 30, 2012, which was filed with the SEC on December 5, 2012.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying footnotes. The most significant estimates used in our financial statements affect revenue and cost recognition for construction contracts, the allowance for doubtful accounts, provision for excess and obsolete inventory, goodwill and other intangible assets, self-insurance, warranty accruals, income taxes and estimates related to acquisition valuations. The amounts recorded for insurance claims, warranties, legal, income taxes and other contingent liabilities require judgments regarding the amount of expenses that will ultimately be incurred. We base our estimates on historical experience and on various other assumptions, as well as the specific circumstances surrounding these contingent liabilities, in evaluating the amount of liability that should be recorded. Estimates may change as new events occur, additional information becomes available or operating environments change. Actual results may differ from our estimates.

New Accounting Standards

In September 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance which simplifies how an entity is required to test goodwill for impairment. Under this guidance, an entity would be allowed to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amounts. This new guidance includes a number of factors to consider in conducting the qualitative assessment. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, our fiscal year 2013. Early adoption was permitted; however, we did not adopt this guidance until October 1, 2012. This guidance has not had an impact on our reported results of operations or financial position.

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In March 2013, the FASB issued accounting guidance to resolve the diversity in practice for accounting for the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. This guidance is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013, our fiscal year 2015. We do not expect this guidance to have a material impact on our reported results of operations or financial position.

In February 2013, the FASB issued accounting guidance which requires companies to provide information regarding the amounts reclassified out of accumulated other comprehensive income by component. A company will be required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required by U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, a company is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail regarding those amounts. This accounting guidance is effective for fiscal years beginning after December 15, 2012, on a prospective basis. The Company is currently evaluating the impact of this guidance on our consolidated financial statements, but since the guidance only affects presentation and disclosure of amounts reclassified out of accumulated other comprehensive income, the adoption of this guidance in the first quarter of fiscal year 2014 is not expected to have a significant impact on our consolidated financial position or results of operations.

In August 2012, the SEC adopted a rule mandated by the Dodd-Frank Act to require companies to publicly disclose their use of conflict minerals that originated in the Democratic Republic of the Congo or an adjoining country. The final rule applies to a company that used minerals including tantalum, tin, gold and tungsten. The final rule requires companies to provide disclosure on a new form filed with the SEC, with the first specialized disclosure report due on May 31, 2014, for the 2013 calendar year, and annually on May 31 each year thereafter. We are currently evaluating the impact of this rule.

Subsequent Events

We evaluated subsequent events through the time of filing this Quarterly Report on Form 10-Q. No significant events occurred subsequent to the balance sheet or prior to the filing of this report that would have a material impact on our consolidated financial statements or results of operations.

B. FAIR VALUE MEASUREMENTS

We measure certain financial assets and liabilities at fair value. Fair value is defined as an “exit price” which represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in valuing an asset or liability. The accounting guidance also requires the use of valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. As a basis for considering such assumptions and inputs, a fair value hierarchy has been established which identifies and prioritizes three levels of inputs to be used in measuring fair value.

The three levels of the fair value hierarchy are as follows:

Level 1 — Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs other than the quoted prices in active markets that are observable either directly or indirectly, including: quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market data and require the reporting entity to develop its own assumptions.

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The following table summarizes the fair value of our assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2013 (in thousands):

	Fair Value Measurements at June 30, 2013			
	Quoted Prices in	Significant Other	Significant	Fair Value at
	Active Markets for	Observable	Unobservable Inputs	
	Identical Assets	Inputs	(Level 3)	
(Level 1)	(Level 2)	(Level 3)		
Assets				
Cash equivalents	\$ 10,430	\$ --	\$ --	\$ 10,430
Total	\$ 10,430	\$ --	\$ --	\$ 10,430

The following table summarizes the fair value of our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2012 (in thousands):

	Fair Value Measurements at September 30, 2012			
	Quoted Prices in	Significant Other	Significant	Fair Value at
	Active Markets for	Observable	Unobservable Inputs	
	Identical Assets	Inputs	(Level 3)	
(Level 1)	(Level 2)	(Level 3)		
Assets				
Cash equivalents	\$ 45,888	\$ --	\$ --	\$ 45,888
Total	\$ 45,888	\$ --	\$ --	\$ 45,888

Cash equivalents, primarily funds held in money market savings instruments, are reported at their current carrying value which approximates fair value due to the short-term nature of these instruments and are included in cash and cash equivalents in our Condensed Consolidated Balance Sheets.

Fair Value of Other Financial Instruments

Fair value guidance requires certain fair value disclosures, such as those on our long-term debt, to be presented in both interim and annual reports. The estimated fair value amounts of financial instruments have been determined using available market information and valuation methodologies described below.

Industrial Development Revenue Bond – The fair value of our long-term debt depends primarily on the coupon rate of our industrial development revenue bonds. The carrying value of our long-term debt at June 30, 2013, approximates fair value based on the current coupon rate of the bonds, which is re-set weekly, and is classified as a Level 2 input in the fair value measurement hierarchy, as there is an active market for the trading of these industrial development revenue bonds.

There have been no transfers between levels with the fair value measurement hierarchy during the three and nine months ended June 30, 2013.

C. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
<i>Numerator:</i>				
Net income	\$ 9,305	\$ 12,138	\$ 23,508	\$ 17,804
<i>Denominator:</i>				
Weighted average basic shares	11,941	11,812	11,932	11,782
Dilutive effect of stock options and restricted stock units	75	49	75	52
Weighted average diluted shares with assumed conversions	12,016	11,861	12,007	11,834
<i>Net earnings per share:</i>				
Basic	\$ 0.78	\$ 1.03	\$ 1.97	\$ 1.51
Diluted	\$ 0.77	\$ 1.02	\$ 1.96	\$ 1.50

All options were included in the computation of diluted earnings per share for the three and nine months ended June 30, 2012, as the options' exercise price was less than the average market price of our common stock. All outstanding options expired in June 2012.

D. DETAIL OF SELECTED BALANCE SHEET ACCOUNTS

Allowance for Doubtful Accounts

Activity in our allowance for doubtful accounts receivable consisted of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Balance at beginning of period	\$ 912	\$ 1,043	\$ 1,399	\$ 391
Increase (decrease) to bad debt expense	68	(127)	(310)	509
Deductions for uncollectible accounts written off, net of recoveries	(54)	175	(151)	175
Increase (decrease) due to foreign currency translation	(2)	5	(14)	21
Balance at end of period	\$ 924	\$ 1,096	\$ 924	\$ 1,096

Warranty Accrual

Activity in our product warranty accrual consisted of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Balance at beginning of period	\$ 5,242	\$ 4,783	\$ 5,714	\$ 4,603
Increase to warranty expense	430	752	1,965	2,084
Deduction for warranty charges	(874)	(1,068)	(2,798)	(2,254)
Increase (decrease) due to foreign currency translations	(7)	(40)	(90)	(6)
Balance at end of period	\$ 4,791	\$ 4,427	\$ 4,791	\$ 4,427

Inventories

The components of inventories are summarized below (in thousands):

	June 30, 2013	September 30, 2012
Raw materials, parts and subassemblies	\$ 32,694	\$ 33,632
Work-in-progress	4,217	6,422
Provision for excess and obsolete inventory	(6,177)	(7,137)
Total inventories	<u>\$ 30,734</u>	<u>\$ 32,917</u>

Cost and Estimated Earnings on Uncompleted Contracts

The components of costs and estimated earnings and related amounts billed on uncompleted contracts are summarized below (in thousands):

	June 30, 2013	September 30, 2012
Costs incurred on uncompleted contracts	\$ 605,097	\$ 635,714
Estimated earnings	147,503	168,480
	752,600	804,194
Less: Billings to date	745,981	754,604
Net underbilled position	<u>\$ 6,619</u>	<u>\$ 49,590</u>

Included in the accompanying balance sheets under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 73,806	\$ 86,734
Billings in excess of costs and estimated earnings on uncompleted contracts	(67,187)	(37,144)
Net underbilled position	<u>\$ 6,619</u>	<u>\$ 49,590</u>

E. INTANGIBLE ASSETS

Intangible assets balances, subject to amortization, at June 30, 2013 and September 30, 2012 consisted of the following (in thousands):

	June 30, 2013			September 30, 2012		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Supply agreement	\$ 17,580	\$ (8,104)	\$ 9,476	\$ 17,580	\$ (7,225)	\$ 10,355
Purchased technology	11,741	(9,388)	2,353	11,818	(9,121)	2,697
Trade name	1,136	(969)	167	1,136	(871)	265
Total	<u>\$ 30,457</u>	<u>\$ (18,461)</u>	<u>\$ 11,996</u>	<u>\$ 30,534</u>	<u>\$ (17,217)</u>	<u>\$ 13,317</u>

All intangible assets disclosed above are reported in our Electrical Power Products business segment.

Amortization of intangible assets recorded for the nine months ended June 30, 2013 and 2012 was \$1.2 million and \$2.1 million, respectively.

F. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	June 30, 2013	September 30, 2012
Industrial development revenue bonds	\$ 3,600	\$ 4,000
Capital lease obligations	39	355
Subtotal long-term debt and capital lease obligations	3,639	4,355
Less current portion	(439)	(725)
Total long-term debt and capital lease obligations	\$ 3,200	\$ 3,630

US Revolver

In June 2013, we amended our existing credit agreement (Amended Credit Agreement) with a major domestic bank. This amendment to our credit facility was made to increase the dollar limit on capital expenditures to allow us to support our continued expansions to support key markets, including the Canadian Oil Sands and offshore production markets. The Amended Credit Agreement provides for a \$75.0 million revolving credit facility (US Revolver). Obligations are collateralized by the stock of certain of our subsidiaries.

The interest rate for amounts outstanding under the Amended Credit Agreement for the US Revolver is a floating rate based upon the higher of the Federal Funds Rate plus 0.5%, or the bank's prime rate. Once the applicable rate is determined, a margin ranging up to 1.75%, as determined by our consolidated leverage ratio, is added to the applicable rate.

The US Revolver provides for the issuance of letters of credit which reduce the amounts that may be borrowed under this revolver. The amount available under the US Revolver was reduced by \$18.8 million for our outstanding letters of credit at June 30, 2013.

There were no borrowings outstanding under the US Revolver as of June 30, 2013. Amounts available under the US Revolver were \$56.2 million at June 30, 2013. The US Revolver expires on December 31, 2016.

The Amended Credit Agreement contains certain restrictive and maintenance-type covenants, including restrictions on our ability to pay dividends, as well as restrictions on the amount of capital expenditures allowed. It also contains financial covenants defining various financial measures and the levels of these measures with which we must comply, as well as a "material adverse change" clause. A "material adverse change" is defined as a material change in our operations, business, properties, liabilities or condition (financial or otherwise) or a material impairment of our ability to perform our obligations under our credit agreements.

The Amended Credit Agreement is collateralized by a pledge of 100% of the voting capital stock of each of our domestic subsidiaries and 66% of the voting capital stock of each non-domestic subsidiary, excluding Powell Canada. The Amended Credit Agreement provides for customary events of default and carries cross-default provisions with other existing debt agreements. If an event of default (as defined in the Amended Credit Agreement) occurs and is continuing, on the terms and subject to the conditions set forth in the Amended Credit Agreement, amounts outstanding under the Amended Credit Agreement may be accelerated and may become immediately due and payable. As of June 30, 2013, we were in compliance with all of the financial covenants of the Amended Credit Agreement.

Canadian Revolver

On December 15, 2009, we entered into a credit agreement with a major international bank (the Canadian Facility) to finance the acquisition of Powell Canada and provide additional working capital support for our operations in Canada. In March 2012, we reduced the Canadian Facility to a \$10.0 million CAD (approximately \$9.5 million) revolving credit facility (the Canadian Revolver), and eliminated the restrictions on amounts which may be borrowed based on a borrowing base calculation.

The Canadian Revolver provides for the issuance of letters of credit which reduce the amounts that may be borrowed under the Canadian Revolver. The amount available under the Canadian Revolver was reduced by \$0.1 million for an outstanding letter of credit at June 30, 2013.

There were no borrowings outstanding under the Canadian Revolver, and \$9.4 million was available at June 30, 2013. The Canadian Facility expires on February 28, 2015. The interest rate for amounts outstanding under the Canadian Revolver is a floating interest rate based upon either the Canadian Prime Rate, or the lender's US Bank Rate. Once the applicable rate is determined, a margin of 0.375% to 1.125%, as determined by our consolidated leverage ratio, is added to the applicable rate.

The principal financial covenants are consistent with those described in our Amended Credit Agreement. The Canadian Facility contains a “material adverse effect” clause. A “material adverse effect” is defined as a material change in the operations of Powell or Powell Canada in relation to our financial condition, property, business operations, expected net cash flows, liabilities or capitalization.

The Canadian Facility is secured by the assets of our Canadian operations and provides for customary events of default and carries cross-default provisions with our existing debt agreements. If an event of default (as defined in the Canadian Facility) occurs and is continuing, on the terms and subject to the conditions set forth in the Canadian Facility, amounts outstanding under the Canadian Facility may be accelerated and may become immediately due and payable. As of June 30, 2013, we were in compliance with all of the financial covenants of the Canadian Facility.

Industrial Development Revenue Bonds

We borrowed \$8.0 million in October 2001 through a loan agreement funded with proceeds from tax-exempt industrial development revenue bonds (Bonds). These Bonds were issued by the Illinois Development Finance Authority and were used for the completion of our Northlake, Illinois facility. Pursuant to the Bond issuance, a reimbursement agreement between us and a major domestic bank required an issuance by the bank of an irrevocable direct-pay letter of credit (Bond LC), as collateral, to the Bonds’ trustee to guarantee payment of the Bonds’ principal and interest when due. The Bond LC is subject to both early termination and extension provisions customary to such agreements, as well as various covenants, for which we were in compliance at June 30, 2013. While the Bonds mature in 2021, the reimbursement agreement requires annual redemptions of \$400,000 that commenced on October 25, 2002. A sinking fund is used for the redemption of the Bonds. At June 30, 2013, the balance in the restricted sinking fund was \$334,000 and was recorded in cash and cash equivalents. The Bonds bear interest at a floating rate determined weekly by the Bonds’ remarketing agent, which was the underwriter for the Bonds and is an affiliate of the bank. This interest rate was 0.30% per year at June 30, 2013.

G. INCOME TAXES

At the end of each interim reporting period, the Company makes an estimate for the annual effective income tax rate. Tax items included in the annual effective income tax rate are pro-rated for the full year and tax items discrete to a specific quarter are included in the effective income tax rate for that quarter. The estimate used in providing for income taxes on a year-to-date basis may change in subsequent interim periods. During the three months ended June 30, 2013 and 2012, the effective income tax rate was 25.6% and 33.6%, respectively, and for the nine months ended June 30, 2013 and 2012, the effective income tax rate was 27.4% and 40.9%, respectively.

The lower effective tax rate for the three months ended June 30, 2013, as compared to the same period of the prior year, was primarily due to the differences in the availability of the Federal Research and Development Tax Credit (Federal R&D Tax Credit), the utilization of loss carry forwards on Canadian income and the utilization of certain foreign tax credits. On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retroactively reinstated and extended the Federal R&D Tax Credit from January 1, 2012 to December 31, 2013. The current year effective tax rate reflects a full year benefit from the Federal R&D Tax Credit in the estimate of the annual effective income tax rate, whereas the prior year reflected only three months of the benefit. Additionally, the retroactive benefit for the previously expired period from January 1, 2012 to September 30, 2012 is reflected as a discrete item which lowered our effective tax rate for the three months ended June 30, 2013. Upon the reinstatement and extension of the Federal R&D Tax Credit, we completed an R&D Tax Credit study resulting in increases in the available R&D credits for current and prior years. The utilization of these credits resulted in a lower effective tax rate for the three and nine months ended June 30, 2013. However, the decrease in the effective tax rate was partially reduced by an increase in our reserve for uncertain tax positions for years still open to audit by the Internal Revenue Service.

The lower effective tax rate for the nine months ended June 30, 2013, as compared to the same period of the prior year, was primarily due to the favorable impact of the extension of the Federal R&D Tax Credit, the utilization of loss carry forwards on Canadian income and the utilization of certain foreign tax credits. The effective tax rates for the third quarter of fiscal year 2012 and the first nine months of fiscal year 2012 were negatively impacted by our inability to record a tax benefit related to pre-tax losses in Canada in fiscal year 2012.

H. COMMITMENTS AND CONTINGENCIES

Long-Term Debt

See Note F herein for discussion of our long-term debt.

Letters of Credit and Bonds

Certain customers require us to post bank letter of credit guarantees or performance bonds issued by a surety. These guarantees and performance bonds assure that we will perform under the terms of our contract. In the event of default, the counterparty may demand payment from the bank under a letter of credit or performance by the surety under a performance bond. To date, there have been no significant expenses related to either for the periods reported. We were contingently liable for secured and unsecured letters of credit of \$18.9 million as of June 30, 2013. We also had performance and maintenance bonds totaling \$275.6 million that were outstanding with our sureties, with additional bonding capacity of \$124.4 million available, at June 30, 2013.

We have a facility agreement (Facility Agreement) between S&I and a large international bank. This \$7.6 million Facility Agreement provides S&I the ability to enter into forward exchange contracts, currency options and performance bonds. At June 30, 2013, we had outstanding a total of \$4.9 million of guarantees under this Facility Agreement.

The Facility Agreement provides for financial covenants, customary events of default and carries cross-default provisions with our Amended Credit Facility. If an event of default (as defined in the Facility Agreement) occurs and is continuing, on the terms and subject to the conditions set forth in the Facility Agreement, obligations outstanding under the Facility Agreement may be accelerated and may become or be declared immediately due and payable. As of June 30, 2013, we were in compliance with all of the financial covenants of the Facility Agreement.

Litigation

We are involved in various legal proceedings, claims and other disputes arising in the ordinary course of business which, in general, are subject to uncertainties and the outcomes are not predictable. Although we can give no assurance about the outcome of pending or threatened litigation and the effect such outcomes may have on us, management believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided or covered by insurance, will not have a material adverse effect on our consolidated financial position or results of operations or liquidity.

In March 2013, we settled a lawsuit we had filed against the previous owners of Powell Canada in the amount of \$1.7 million, which was received in April 2013 and is recorded as Other income in the accompanying Condensed Consolidated Statement of Operations..

Construction and Relocation of Certain Operations

We are currently constructing a new facility in Houston, Texas, and one near Edmonton, Alberta, Canada. We estimate the total cost of these facilities, including the land, will be approximately \$75 million, of which \$55.7 million has been incurred to date. The remaining costs are expected to be funded from our existing cash and cash equivalents and future cash flows from operations. We anticipate that the construction of these new facilities will be completed in the late summer of 2013. Once completed, we will vacate the existing leased facilities. We plan to relocate our existing operations and personnel to the two new facilities in the fourth quarter of fiscal year 2013. Additionally, we will attempt to sublease the current facility we occupy in Canada which has a lease that expires in July 2023. There are no assurances that we will be able to obtain a sublease that will cover our existing lease costs, which are approximately \$1.2 million per year. We expect to record the estimated loss on sublease, if any, in the fourth quarter of fiscal 2013.

I. STOCK-BASED COMPENSATION

Refer to our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 for a full description of our existing stock-based compensation plans.

Restricted Stock Units

Restricted stock units (RSUs) vest over a three-year period from their date of issuance. The fair value of the RSUs is based on the closing price of our common stock as reported on the NASDAQ Global Market (NASDAQ) on the grant dates. Sixty-percent of the actual RSUs granted will be based on the cumulative earnings as reported relative to the three-year performance cycle which begins October 1 of the year granted. The remaining forty-percent of the RSUs are time-based and vest over a three-year period. The RSUs

do not have voting rights of common stock, and the shares of common stock underlying the RSUs are not considered issued and outstanding until actually issued.

During the first quarter of fiscal year 2012 and fiscal year 2013, we granted 32,894 and 35,265 RSUs, respectively, with a fair value of \$31.18 and \$38.82 per unit, respectively, to certain officers and key employees of the Company. The RSU's vest over a three-year period from their date of issuance, and are earned over a three-year performance cycle.

During the first quarter of fiscal year 2012 and fiscal year 2013, we also granted 21,931 and 23,510 RSUs, respectively, with a fair value of \$31.18 and \$38.82 per unit, respectively, to certain officers and key employees. The RSUs vest over a three-year period from their date of issuance, and are time-based.

RSU activity (number of shares) for us was as follows:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Outstanding at September 30, 2011	69,378	\$ 36.10
Granted	54,825	31.18
Expired or cancelled	(24,478)	38.71
Vested/exercised	--	--
Outstanding at September 30, 2012	99,725	32.69
Granted	58,775	38.82
Expired or cancelled	--	--
Vested/exercised	(34,520)	31.18
Outstanding at June 30, 2013	123,980	\$ 36.02

During the nine months ended June 30, 2013 and 2012, we recorded compensation expense of \$2.0 million and \$0.7 million, respectively, related to the RSUs.

Restricted Stock

We have a Restricted Stock Plan for the benefit of members of the Board of Directors of the Company who, at the time of their service are not employees of the Company or any of its affiliates. In January 2013, 500 shares of restricted stock were issued to a newly appointed director at a price of \$42.54 per share. In February 2013, 16,000 shares of restricted stock were issued to such directors at a price of \$58.54 per share. The annual restricted stock grants vest 50% per year over a two-year period on each anniversary of the grant date.

Under the 2006 Equity Compensation Plan (the 2006 Plan), any employee of the Company and its subsidiaries and consultants are eligible to participate in the plan and receive awards. Awards can take the form of options, stock appreciation rights, stock awards and performance unit awards.

During the first nine months of fiscal year 2013 and fiscal year 2012, there was no restricted stock granted under the 2006 Plan.

During the nine months ended June 30, 2013, we recorded compensation expense of \$0.9 million related to restricted stock grants. We recorded compensation expense of \$0.4 million related to restricted stock grants for the nine months ended June 30, 2012.

J. BUSINESS SEGMENTS

We manage our business through operating segments, which are comprised of two reportable business segments: Electrical Power Products and Process Control Systems. Electrical Power Products includes equipment and systems for the distribution and control of electrical energy. Process Control Systems consists principally of instrumentation, computer controls, communications and data management systems to control and manage critical processes.

The table below reflects certain information relating to our operations by reportable segment. All revenues represent sales from unaffiliated customers. The accounting policies of the business segments are the same as those described in the summary of significant

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accounting policies. Corporate expenses are allocated to the business segments primarily based on revenues. The corporate assets are mainly cash and cash equivalents. Detailed information regarding our business segments is shown below (in thousands):

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues:				
Electrical Power Products	\$ 170,048	\$ 186,272	\$ 461,443	\$ 510,910
Process Control Systems	9,471	7,821	25,932	22,125
Total	<u>\$ 179,519</u>	<u>\$ 194,093</u>	<u>\$ 487,375</u>	<u>\$ 533,035</u>
Gross profit:				
Electrical Power Products	\$ 36,208	\$ 41,677	\$ 98,177	\$ 93,203
Process Control Systems	2,277	2,166	5,807	5,255
Total	<u>\$ 38,485</u>	<u>\$ 43,843</u>	<u>\$ 103,984</u>	<u>\$ 98,458</u>
Income (loss) before income taxes:				
Electrical Power Products	\$ 12,149	\$ 18,422	\$ 32,133	\$ 30,066
Process Control Systems	359	(143)	239	54
Total	<u>\$ 12,508</u>	<u>\$ 18,279</u>	<u>\$ 32,372</u>	<u>\$ 30,120</u>
Depreciation and amortization:				
Electrical Power Products	\$ 2,322	\$ 3,365	\$ 7,702	\$ 9,779
Process Control Systems	23	22	63	35
Total	<u>\$ 2,345</u>	<u>\$ 3,387</u>	<u>\$ 7,765</u>	<u>\$ 9,814</u>

K. RESTRUCTURING AND RELOCATION COSTS

During the first nine months of fiscal year 2013 we recorded restructuring and relocation charges of \$1.7 million. These charges were related to our Electrical Power Products business segment.

Our operations in the United Kingdom have been negatively impacted by market conditions and competitive pressures in the international markets in which they operate. We reorganized certain non-core operations and eliminated certain positions to align our workforce in the United Kingdom with current market conditions and recorded \$1.1 million related to severance therefor.

Additionally, we have incurred and paid approximately \$0.6 million in the nine months ended June 30, 2013 related to relocation efforts in connection with the construction of our new facility in Houston, Texas and one near Edmonton, Alberta, Canada. We anticipate the construction of these two facilities will be completed in late summer 2013 and we will relocate our operations and personnel from their current leased facilities. We expect to incur and expense additional relocation costs of approximately \$2.0 million to \$2.5 million in the next three to six months, which have not been recorded.

Additionally, we are attempting to sublease the current facility we occupy in Canada which has a lease that expires in July 2023. There are no assurances that we will be able to obtain a sublease that will cover our existing lease cost of \$1.2 million per year. We will record an estimated loss on sublease, if any, in the fourth quarter of fiscal year 2013. The lease on our Houston facility which we will be vacating expires on October 31, 2013. We anticipate the additional non-cash depreciation costs related to the two new facilities to exceed the existing lease costs by approximately \$2.2 million on an annual basis going forward.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended September 30, 2012 which was filed with the Securities and Exchange Commission (SEC) on December 5, 2012 and is available on the SEC's website at www.sec.gov.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We are including the following discussion to inform our existing and potential shareholders generally of some of the risks and uncertainties that can affect our Company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf make forward-looking statements to inform existing and potential shareholders about our Company. These statements may include projections and estimates concerning the timing and success of specific projects and our future backlog, revenues, income, acquisitions and capital spending. Forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "plan," "goal" or other words that convey the uncertainty of future events or outcomes. In addition, sometimes we will specifically describe a statement as being a forward-looking statement and refer to this cautionary statement.

In addition, various statements in this Quarterly Report on Form 10-Q, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements speak only as of the date of this report; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

- Economic uncertainty and financial market conditions may impact our customer base, suppliers and backlog.
- Our backlog is subject to unexpected adjustments and cancellations and, therefore, may not be a reliable indicator of our future earnings.
- Our volume of fixed-price contracts and use of percentage-of-completion accounting could result in volatility in our results of operations.
- A portion of our contracts contain terms with penalty provisions.
- Fluctuations in the price and supply of raw materials used to manufacture our products may reduce our profits and could materially impact our ability to meet commitments to our customers.
- Our industry is highly competitive.
- Our operations could be adversely impacted by the continuing effects from government regulations.
- International and political events may adversely affect our operations.
- Acquisitions involve a number of risks.
- Our operating results may vary significantly from quarter to quarter.
- We may be unsuccessful at generating profitable internal growth.
- The departure of key personnel could disrupt our business.
- Our business requires skilled labor, and we may be unable to attract and retain qualified employees.

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- Actual and potential claims, lawsuits and proceedings could ultimately reduce our profitability and liquidity and weaken our financial condition.
- Unforeseen difficulties with the implementation or operation of our enterprise resource planning, engineering, manufacturing and project systems (Business Systems) could adversely affect our internal controls and our business.
- We carry insurance against many potential liabilities, and our management of risk may leave us exposed to unidentified or unanticipated risks.
- We may incur additional healthcare costs arising from federal healthcare reform legislation.
- Technological innovations by competitors may make existing products and production methods obsolete.
- Catastrophic events could disrupt our business.
- Unforeseen difficulties with the construction, relocation, staffing and start-up of our two new facilities could adversely affect our operations.

We believe the items we have outlined above are important factors that could cause estimates included in our financial statements to differ materially from actual results and those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf. We have discussed many of these factors in more detail in our Annual Report on Form 10-K for the year ended September 30, 2012. These factors are not necessarily all of the factors that could affect us. Unpredictable or unanticipated factors we have not discussed in this report could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update our description of important factors each time a potential important factor arises, except as required by applicable securities laws and regulations. We advise our shareholders that they should (1) be aware that factors not referred to above could affect the accuracy of our forward-looking statements and (2) use caution when considering our forward-looking statements.

Overview

We develop, design, manufacture and service custom engineered-to-order equipment and systems for the management and control of electrical energy and other critical processes. Headquartered in Houston, Texas, we serve the transportation, environmental, energy, industrial and utility industries. Our business operations are consolidated into two business segments: Electrical Power Products and Process Control Systems. Revenues and costs are primarily related to engineered-to-order equipment and systems which precludes us from providing detailed price and volume information.

The markets in which Powell participates in are capital-intensive and cyclical in nature. Cyclicity is predominantly driven by customer demand, global economic conditions and anticipated environmental or regulatory changes which affect the manner in which our customers proceed with capital investments. Our customers analyze various factors including the demand for oil, gas and electrical energy, the overall financial environment, governmental budgets, regulatory actions and environmental concerns. These factors influence the release of new capital projects by our customers, which are traditionally awarded in competitive bid situations. Scheduling is matched to the customer requirements and may take a number of months to produce, which may change during the course of any particular project. Our operating results are impacted by factors outside of our control, such as our projects have contracting arrangements where the approval of engineering and design specifications may affect the timing of the project execution.

We entered fiscal year 2012 with a backlog of unfilled orders of \$443.0 million comprised of large refining and offshore oil and gas construction projects which took several months to produce in fiscal year 2012. As of September 30, 2012, our order backlog remained strong and we entered fiscal year 2013 with a backlog of unfilled orders of \$436.7 million. Our order backlog includes various projects, some of which are for petrochemical, oil and gas construction and transportation infrastructure projects which take a number of months to produce.

The first half of fiscal year 2012 was negatively impacted by execution challenges on certain large jobs at Powell Canada. These challenges resulted from scope changes and cost overruns on certain Canadian projects. We are currently pursuing recovery of certain of these costs, including \$1.4 million which is recorded in Other Assets. Revenues have not been recognized on cost overruns as recovery has not been deemed probable until change orders are approved by the customer.

Results of Operations*Revenue and Gross Profit*

Consolidated revenues decreased 7.5%, or \$14.6 million, to \$179.5 million in the third quarter of fiscal year 2013, compared to the third quarter of fiscal year 2012, primarily due to completion of certain complex domestic and international petrochemical and oil and gas construction projects that were in process during fiscal year 2012 in our Electrical Power Products business segment. Additionally, revenues and gross profit for fiscal year 2013 have been negatively impacted by factors outside of our control due to the delay of engineering and design specifications from our customers and their outside engineering consultant on one large international project. Domestic revenues increased by 2.2%, or \$2.3 million, to \$107.8 million in the third quarter of fiscal year 2013, compared to the third quarter of fiscal year 2012, and international revenues decreased 19.1%, or \$16.9 million, to \$71.7 million in the third quarter of fiscal year 2013, compared to the third quarter of fiscal year 2012. Gross profit for the third quarter of fiscal year 2013 decreased 12.2%, or \$5.4 million, to \$38.5 million, compared to the third quarter of fiscal year 2012. Gross profit as a percentage of revenues decreased to 21.4% in the third quarter of fiscal year 2013, compared to 22.6% in the third quarter of fiscal year 2012 primarily due to the margins associated with the mix of projects in process during fiscal years 2012 and 2013.

For the nine months ended June 30, 2013, consolidated revenues decreased 8.6%, or \$45.7 million, to \$487.4 million, compared to the nine months ended June 30, 2012, primarily due to completion of certain complex domestic and international petrochemical and oil and gas construction projects that were in process during fiscal year 2012 in our Electrical Power Products business segment. Additionally, revenues and gross profit for fiscal year 2013 have been negatively impacted by factors outside of our control due to the delay of engineering and design specifications on one large international project. Domestic revenues decreased by 3.4%, or \$10.5 million, to \$297.4 million in the first nine months of fiscal year 2013, compared to the first nine months of fiscal year 2012. Total international revenues decreased 15.6%, or \$35.1 million, to \$190.0 million in the first nine months of fiscal year 2013, compared to the first nine months of fiscal year 2012. Gross profit for the first nine months of fiscal year 2013 increased 5.6%, or \$5.5 million, to \$104.0 million, compared to the first nine months of fiscal year 2012. Gross profit as a percentage of revenues increased to 21.3% for the first nine months of fiscal year 2013, compared to 18.5% for the first nine months of fiscal year 2012 primarily as a result of project execution challenges on certain large projects at Powell Canada during the first nine months of fiscal year 2012 and the margins associated with the mix of projects in process during fiscal years 2012 and 2013.

Electrical Power Products

Our Electrical Power Products business segment revenues decreased 8.7%, or \$16.2 million, to \$170.0 million in the third quarter of fiscal year 2013, compared to the third quarter of fiscal year 2012, primarily due to completion of certain complex domestic and international petrochemical and oil and gas construction projects that were in process during fiscal year 2012. Revenues from public and private utilities decreased \$7.4 million to \$31.3 million in the third quarter of fiscal year 2013 compared to the third quarter of fiscal year 2012. Revenues from commercial and industrial customers decreased \$15.9 million to \$121.4 million in the third quarter of fiscal year 2013 compared to the third quarter of fiscal year 2012. Revenues from municipal and transit projects increased \$7.0 million to \$17.3 million in the third quarter of fiscal year 2013 compared to the third quarter of fiscal year 2012.

Our Electrical Power Products business segment gross profit decreased 13.1%, or \$5.5 million, to \$36.2 million during the third quarter of fiscal year 2013, compared to the third quarter of fiscal year 2012. Gross profit, as a percentage of revenues, decreased to 21.3% in the third quarter of fiscal year 2013, compared to 22.4% in the third quarter of fiscal year 2012, primarily as a result of the margins associated with the mix of projects in process during fiscal years 2012 and 2013.

For the nine months ended June 30, 2013, our Electrical Power Products business segment revenues decreased 9.7%, or \$49.5 million, to \$461.4 million, compared to the first nine months of fiscal year 2012 primarily due to completion of certain complex domestic and international petrochemical and oil and gas construction projects that were in process during fiscal year 2012. Revenues from public and private utilities increased \$0.7 million to \$96.9 million in the first nine months of fiscal year 2013, compared to the first nine months of fiscal year 2012. Revenues from commercial and industrial customers decreased \$56.8 million to \$326.4 million in the first nine months of fiscal year 2013 compared to the first nine months of fiscal year 2012, as discussed above. Revenues from municipal and transit projects increased \$6.5 million to \$38.0 million in the first nine months of fiscal year 2013, compared to the first nine months of fiscal year 2012.

For the nine months ended June 30, 2013, gross profit from the Electrical Power Products business segment increased 5.4%, or \$5.0 million, to \$98.2 million compared to the nine months ended June 30, 2012. Gross profit, as a percentage of revenues, increased to 21.3% for the first nine months of fiscal year 2013, compared to 18.2% for the first nine months of fiscal year 2012, primarily as a result of project execution challenges on certain large projects at Powell Canada during the first nine months of fiscal year 2012 and the margins associated with the mix of projects in process during fiscal years 2012 and 2013.

Our Process Control Systems business segment revenues increased 21.1%, or \$1.7 million, to \$9.5 million during the third quarter of fiscal year 2013, compared to the third quarter of fiscal year 2012. This revenue increase has been driven by the increase in projects that were awarded during fiscal year 2012. Business segment gross profit, as a percentage of revenues, decreased to 24.0% for the third quarter of fiscal year 2013 compared to 27.7% for the third quarter of fiscal year 2012. This decrease in gross profit as a percentage of revenues was related to the mix of project types.

For the nine months ended June 30, 2013, our Process Control Systems business segment revenues increased 17.2%, or \$3.8 million, to \$25.9 million, compared to the first nine months of fiscal year 2012. Business segment gross profit, as a percentage of revenues, decreased to 22.4% for the nine months ended June 30, 2013, compared to 23.8% for the first nine months ended June 30, 2012. This decrease was primarily due to the overall mix of project types.

For additional information related to our business segments, see Note J of Notes to Condensed Consolidated Financial Statements.

Consolidated Selling, General and Administrative Expenses

Selling, general and administrative expenses, as a percentage of revenues, increased to 13.3% during the third quarter of fiscal year 2013 from 12.8% during the third quarter of fiscal year 2012 due to the decrease in revenues. Consolidated selling, general and administrative expenses decreased \$1.0 million to \$23.8 million during the third quarter of fiscal year 2013 compared to the third quarter of fiscal year 2012. This decrease is primarily related to a decrease in depreciation expense as our existing Business Systems became fully depreciated in December 2012. Additionally, consolidated selling, general and administrative costs for fiscal year 2013 have decreased due to the capitalization of project personnel costs in fiscal year 2013 associated with the development and implementation of our new Business Systems.

Selling, general and administrative expenses, as a percentage of revenues, increased to 14.4% during the first nine months of fiscal year 2013 from 12.4% during the first nine months of fiscal year 2012. Consolidated selling, general and administrative expense increased \$4.1 million to \$70.2 million during the first nine months of fiscal year 2013, compared to the first nine months of fiscal year 2012. This increase is primarily related to increased personnel costs and commissions associated with orders received, as well as increased long-term incentive compensation resulting from higher levels of operating performance over the three-year performance cycle and increased legal expenses primarily related to the efforts to recover both the project cost overruns in Canada and the settlement of a lawsuit in Canada which is discussed below. These increases in selling, general and administrative expenses were offset by a decrease in depreciation expense as our existing Business Systems became fully depreciated in December 2012. Additionally, consolidated selling, general and administrative costs for fiscal year 2013 have decreased due to the capitalization of certain personnel costs in fiscal year 2013 associated with the development and implementation of our new Business Systems. However, the favorable impact of depreciation expense and capitalization of certain personnel costs will no longer be realized once the Business Systems are implemented in fiscal year 2014.

Amortization of Intangible Assets

Amortization of intangible assets decreased to \$0.4 million during the third quarter of fiscal year 2013, compared to \$0.7 million during the third quarter of fiscal year 2012 as certain intangible assets have become fully amortized.

Amortization of intangible assets decreased to \$1.2 million during the first nine months of fiscal year 2013, compared to \$2.1 million during the first nine months of fiscal year 2012 as certain intangible assets have become fully amortized.

Restructuring and Relocation Costs

During the first nine months of fiscal year 2013 we recorded restructuring and relocation charges of \$1.7 million. These charges were related to our Electrical Power Products business segment.

Our operations in the United Kingdom have been negatively impacted by market conditions and competitive pressures in the international markets in which they operate. We reorganized certain non-core operations and eliminated certain positions to align our workforce in the United Kingdom with current market conditions and recorded \$1.1 million related to severance therefor.

Additionally, we have incurred and paid approximately \$0.6 million in the nine months ended June 30, 2013 related to relocation efforts in connection with the construction of our new facility in Houston, Texas and one near Edmonton, Alberta, Canada. We anticipate the construction of these two facilities will be completed in late summer 2013 and we will relocate our operations and personnel from their current leased facilities. We expect to incur and expense additional relocation costs of approximately \$2.0 million to \$2.5 million in the next three to six months, which have not been recorded.

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Additionally, we are attempting to sublease the current facility we occupy in Canada which has a lease that expires in July 2023. There are no assurances that we will be able to obtain a sublease that will cover our existing lease cost of \$1.2 million per year. We will record an estimated loss on sublease, if any, in the fourth quarter of fiscal year 2013. The lease on our Houston facility which we will be vacating expires on October 31, 2013.

Other Income

In March 2013, we settled a lawsuit we had filed against the previous owners of Powell Canada in the amount of \$1.7 million, which was received in April 2013.

Income Tax Provision

Our provision for income taxes was \$3.2 million in the third quarter of fiscal year 2013, compared to \$6.1 million in the third quarter of fiscal year 2012. For the first nine months of fiscal year 2013, our provision for income taxes was \$8.9 million compared to \$12.3 million for the first nine months of fiscal year 2012. The effective tax rates for the third quarter of fiscal year 2013 and the first nine months of fiscal year 2013 were 25.6% and 27.4%, respectively. These rates are below the statutory rate due to the differences in the availability of the Federal Research and Development Tax Credit, the utilization of loss carry forwards on Canadian income and the utilization of certain foreign tax credits. The effective tax rates for the third quarter of fiscal year 2012 and the first nine months of fiscal year 2012 were negatively impacted by our inability to record a tax benefit related to pre-tax losses in Canada in fiscal year 2012.

Net Income

In the third quarter of fiscal year 2013, we recorded net income of \$9.3 million, or \$0.77 per diluted share, compared to \$12.1 million, or \$1.02 per diluted share, in the third quarter of fiscal year 2012. For the nine months ended June 30, 2013, we recorded net income of \$23.5 million, or \$1.96 per diluted share, compared to \$17.8 million, or \$1.50 per diluted share, for the nine months ended June 30, 2012. The first nine months of fiscal year 2012 were negatively impacted by the execution-related challenges of certain large projects at Powell Canada and our inability to record the tax benefits of pre-tax losses in Canada.

Backlog

The order backlog at June 30, 2013, was \$496.1 million, compared to \$436.7 million at September 30, 2012 and \$433.5 million at June 30, 2012. New orders placed during the third quarter of fiscal year 2013 totaled \$154.9 million compared to \$133.0 million in the third quarter of fiscal year 2012. Backlog has increased primarily due to continued strength in oil and gas production projects, refining projects and transportation markets.

Liquidity and Capital Resources

Cash and cash equivalents increased to \$124.9 million at June 30, 2013, compared to \$90.0 million at September 30, 2012. Such increase primarily resulted from cash flow provided by operations of \$88.7 million, which was partially used to fund the construction of our two new facilities in the United States and Canada during the first nine months of fiscal year 2013 to support our continued expansion of our key markets, including the offshore oil and gas markets and the Canadian Oil Sands market. As of June 30, 2013, current assets exceeded current liabilities by 2.2 times and our debt to total capitalization was 1.1%.

We have a \$75.0 million revolving credit facility in the United States, which expires in December 2016. As of June 30, 2013, there were no amounts borrowed under this line of credit. We also have a \$10 million CAD (approximately \$9.5 million) revolving credit facility in Canada. At June 30, 2013, there was no balance outstanding under the Canadian revolving credit facility. Total long-term debt and capital lease obligations, including current maturities, totaled \$3.6 million at June 30, 2013, compared to \$4.4 million at September 30, 2012. Letters of credit outstanding were \$18.9 million at June 30, 2013, compared to \$36.6 million at September 30, 2012, which reduced our availability under our U.S. revolving credit facility and our Canadian revolving credit facility. Amounts available under the U.S. revolving credit facility were \$56.2 million at June 30, 2013. Amounts available under the Canadian revolving credit facility were \$9.4 million at June 30, 2013. For further information regarding our debt, see Notes F and H of Notes to Condensed Consolidated Financial Statements.

Approximately \$6.8 million of our cash at June 30, 2013, was held outside of the United States for international operations. It is our intention to indefinitely reinvest all current and future foreign earnings internationally in order to ensure sufficient working capital and support and expand these operations. In the event that we elect to repatriate some or all of the foreign earnings that were previously deemed to be indefinitely reinvested outside the United States, under current tax laws we would incur additional tax expense upon such repatriation.

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We believe that cash available and borrowing capacity under our existing credit facilities should be sufficient to finance anticipated operational activities, capital improvements and expansions, as well as debt repayments for the foreseeable future. We will continue to monitor the factors that drive our markets and strive to maintain our leadership and competitive advantage in the markets we serve while aligning our cost structures with market conditions.

Operating Activities

Cash provided by operating activities was \$88.7 million during the first nine months of fiscal year 2013 and \$6.5 million during the first nine months of fiscal year 2012. Cash flow from operations is primarily influenced by demand for our products and services and is impacted as our progress payment terms with our customers are matched with the payment terms with our suppliers. Cash flow from operations increased during the first nine months of fiscal year 2013 compared to the same period in the prior year, primarily due to increased net income, as well as the billing and collection of contracts receivable based on the progress billing milestones.

Investing Activities

Purchases of property, plant and equipment during the first nine months of fiscal year 2013 totaled \$53.7 million, compared to \$25.5 million during the first nine months of fiscal year 2012. A significant portion of the investments during the first nine months of fiscal year 2013 was used to build facilities in the United States and Canada to support our expansion in our key markets, including the oil and gas markets and Canadian Oil Sands. We expect to relocate our operations and personnel to these new facilities in the next three to six months. Upgrades and enhancements to our Business Systems were also incurred during the first nine months of fiscal year 2013, which is expected to be placed into use in the second quarter of fiscal year 2014. During the first nine months of fiscal year 2012, the investments in property, plant and equipment were primarily for the purchase of land in the United States and Canada to support our planned expansion as discussed above.

Financing Activities

Net cash used in financing activities was \$0.7 million during the first nine months of fiscal year 2013. Net cash provided by financing activities was \$1.4 million for the first nine months of fiscal year 2012 due to cash being received from the exercise of stock options that were set to expire on June 24, 2012.

New Accounting Standards

See Note A to our condensed consolidated financial statements included in this report for information on new accounting standards.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates.

There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended September 30, 2012.

Outlook

The markets in which Powell participates are capital-intensive and cyclical in nature. Cyclicity is predominantly driven by customer demand, global economic conditions and anticipated environmental or regulatory changes which affect the manner in which our customers proceed with capital investments. Market cycles are many months or years in length and require our customers to analyze factors that include the demand for oil, gas and electrical energy, the overall financial environment, governmental budgets, the outlook for regulatory actions and environmental concerns. Orders take a number of months to produce, are traditionally awarded in competitive bid situations and scheduling is matched to the customer requirements which may change during the course of any particular project.

Growth in demand for energy is expected to continue over the long term. This, when coupled with the need for replacement of existing infrastructure that is at the end of its life cycle, demonstrates a continued need for products and services produced by us. Our orders over the past year have been negatively impacted by a sluggish global economy and competitive market issues. We continue to

experience timing challenges in the near term related to the awarding of large projects due to various global market conditions. However, the outlook for continued opportunities for our products and services remain positive; but, the timing and pricing of many of these projects are difficult to predict.

Our operating results are frequently impacted by the timing and resolution of change orders and project close-out which could cause gross margins to improve or deteriorate during the period in which these items are approved and finalized with customers. Our operating results are impacted by factors outside of our control, such as our projects have contracting arrangements where the approval of engineering and design specifications may affect the timing of the project execution.

We are currently constructing a new facility in Houston, Texas, and one near Edmonton, Alberta, Canada. We estimate the total cost of these facilities, including the land, will be approximately \$75 million, of which \$55.7 million has been incurred to date. The remaining costs are expected to be funded from our existing cash and cash equivalents and future cash flows from operations. We anticipate that the construction of these new facilities will be completed in the late summer of 2013. Once completed, we will vacate the existing leased facilities. We plan to relocate our existing operations and personnel to the two new facilities in the fourth quarter of fiscal year 2013. Additionally, we will attempt to sublease the current facility in Canada, which has a lease that expires in July 2023. There are no assurances that we will be able to obtain a sublease that will cover our existing lease costs, which are approximately \$1.2 million per year. We expect to record the estimated loss on sublease, if any, in the fourth quarter of fiscal year 2013.

Strength in the Canadian Oil Sands region continues to be a major contributor to our improved operations and backlog in Canada. The relocation to our new facility, the sublease of our current facility and the start-up, staffing and expansion of our operations in Canada pose various risks and uncertainties in the near term. Our previous net operating losses in Canada have resulted in recording deferred tax assets of \$6.3 million, with a corresponding valuation allowance. These unrecognized deferred tax assets could be realized in the future as our outlook for sustainable profitability in Canada improves.

We believe that cash from operations and borrowing capacity under our existing credit facilities should be sufficient to finance anticipated operational activities, capital improvements and debt repayments for the foreseeable future. We will continue to monitor our markets and will strive to maintain our leadership and competitive advantage in the markets we serve while aligning our cost structures with market conditions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks arising from transactions we have entered into in the normal course of business. These risks primarily relate to fluctuations in interest rates, foreign exchange rates and commodity prices.

Interest Rate Risk

If we decide to borrow under one of our credit facilities, we will be subject to market risk resulting from changes in interest rates related to our floating rate bank credit facility. If we were to make such borrowings, a hypothetical 100 basis point increase in variable interest rates may result in a material impact to our financial statements. While we do not currently have any derivative contracts to hedge our exposure to interest rate risk, we have in the past and may in the future enter into such contracts. During each of the past three years, we have not experienced a significant effect on our business due to changes in interest rates.

Foreign Currency Transaction Risk

We have operations that expose us to currency risk in the British Pound Sterling, the Canadian Dollar and to a lesser extent the Euro. Amounts invested in our foreign operations are translated into U.S. Dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as accumulated other comprehensive income (loss), a component of stockholders' equity in our consolidated balance sheets. We believe the exposure to the effects that fluctuating foreign currencies have on our consolidated results of operations is limited because the foreign operations primarily invoice customers and collect obligations in their respective currencies or U.S. Dollars. Our international operations are financed utilizing local credit facilities denominated in local currencies. Additionally, expenses associated with these transactions are generally contracted and paid for in the same local currencies. A 10% unfavorable change in the U.S. Dollar exchange rate, relative to other functional currencies in which we operate, would not materially impact our consolidated balance sheet at June 30, 2013.

At June 30, 2013, we had no foreign currency forward contracts.

Commodity Price Risk

We are subject to market risk from fluctuating market prices of certain raw materials. While such materials are typically available from numerous suppliers, commodity raw materials are subject to price fluctuations. We attempt to pass along such commodity price increases to our customers on a contract-by-contract basis to avoid a negative effect on profit margin. While we may do so in the future, we have not currently entered into any derivative contracts to hedge our exposure to commodity risk. We continue to experience price volatility with some of our key raw materials and components. Fixed-price contracts may limit our ability to pass cost increases to our customers, thus negatively impacting our earnings. Fluctuations in commodity prices may have a material impact on our future earnings and cash flows.

Market Risk

We are also exposed to general market and other risk and its potential impact on accounts receivable or costs and estimated earnings in excess of billings on uncompleted contracts. The amounts recorded may be at risk if our customers' ability to pay these obligations is negatively impacted by economic conditions. Our customers and their industries are typically engineering, procurement and construction firms, oil and gas producers, oil and gas pipelines, refineries, petrochemical plants, electrical power generators, public and private utilities, co-generation facilities, mining/metals operations, pulp and paper plants, transportation authorities, governmental agencies and other large industrial customers. We maintain ongoing discussions with customers regarding contract status with respect to payment status, change orders and billing terms in an effort to monitor collections of amounts billed.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established and maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed with the Securities and Exchange Commission (SEC) pursuant to the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosures.

Management, with the participation of our CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our CEO and CFO have each concluded that as of the end of the period, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal proceedings, claims and other disputes arising in the ordinary course of business which, in general, are subject to uncertainties and the outcomes are not predictable. We do not believe that the ultimate conclusion of these disputes could materially affect our financial position or results of operations.

Item 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

Item 6. Exhibits

Number	Description of Exhibits
3.1	— Certificate of Incorporation of Powell Industries, Inc. filed with the Secretary of State of the State of Delaware on February 11, 2004 (filed as Exhibit 3.1 to our Form 8-A/A filed November 1, 2004, and incorporated herein by reference).
3.2	— Amended and Restated Bylaws of Powell Industries, Inc. (filed as Exhibit 3.1 to our Form 8-K filed October 12, 2012, and incorporated herein by reference).
*10.1	— Eleventh Amendment to Credit Agreement, dated as of June 27, 2013, among Powell Industries, Inc., as Parent, the subsidiaries of Powell Industries, Inc. identified therein, as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C issuer, and the Lenders party thereto.
*31.1	— Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	— Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
*32.1	— Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	— Certification of Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	— XBRL Instance Document
101.SCH	— XBRL Taxonomy Extension Schema Document
101.CAL	— XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	— XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	— XBRL Taxonomy Extension Label Linkbase Document
101.PRE	— XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

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, thereunto duly authorized.

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POWELL INDUSTRIES, INC.
(Registrant)

Date: August 7, 2013

By: /s/ Michael A. Lucas
Michael A. Lucas
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2013

By: /s/ Don R. Madison
Don R. Madison
Executive Vice President
Chief Financial and Administrative Officer
(Principal Financial Officer)

EXHIBIT INDEX

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ELEVENTH AMENDMENT TO CREDIT AGREEMENT

THIS ELEVENTH AMENDMENT TO CREDIT AGREEMENT (this “**Amendment**”) is entered into as of June 27, 2013, among Powell Industries, Inc., a Delaware corporation (“**Parent**” or “**Borrower**”), Bank of America, N.A., a national banking association, as Agent, Swing Line Lender and L/C Issuer under the Credit Agreement (in such capacity as administrative agent, together with its successors in such capacity, “**Agent**”), and each lender from time to time party to the Credit Agreement (collectively, “**Lenders**” and individually, a “**Lender**”). Capitalized terms used but not defined in this Amendment have the meaning given them in the Credit Agreement (defined below).

RECITALS

A. Parent, as borrower, Agent and Lenders are parties to that certain Credit Agreement dated as of June 29, 2005 (as amended by the First Amendment to Credit Agreement dated November 7, 2005, the Second Amendment to Credit Agreement dated January 11, 2006, the Third Amendment to Credit Agreement dated August 4, 2006, the Fourth Amendment to Credit Agreement dated December 7, 2006, the Fifth Amendment to Credit Agreement dated December 4, 2007, the Sixth Amendment to Credit Agreement dated December 14, 2007, the Seventh Amendment to Credit Agreement dated December 10, 2008, the Eighth Amendment to Credit Agreement dated March 11, 2010, the Ninth Amendment to Credit Agreement dated May 18, 2011, the Tenth Amendment to Credit Agreement dated March 26, 2012, and as further amended, restated or supplemented, the “**Credit Agreement**”).

B. Parent has requested, and Agent and Lenders have agreed, subject to the terms and conditions herein, to amend certain covenants in the Credit Agreement.

C. NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned hereby agree as follows:

1. Amendments to Credit Agreement. The Credit Agreement is amended as set forth below as of the Effective Date (as defined below):

(a) **Section 1.01** (Defined Terms) of the Credit Agreement is amended to add the following definitions of “**FACTA**” and “**Recipient**” in the appropriate alphabetical order:

“**FATCA** means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

Recipient means the Agent, any Lender, the L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of any Loan Party hereunder.”

(b) **Section 1.01** (Defined Terms) of the Credit Agreement is amended to delete the following definitions in their entirety and replace them with the following:

“**Change in Law** means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives

promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

Excluded Taxes means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under **Section 10.16**) or (ii) such Lender changes its Lending Office, except in each case to the extent that, pursuant to **Section 3.01(a)(ii)** or **(c)**, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Recipient's failure to comply with **Section 3.01(e)** and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

Foreign Lender means (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

Indemnified Taxes means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

Other Connection Taxes means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

Other Taxes means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to **Section 10.16**).

Taxes means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto."

(c)**Section 3.01** (Taxes) is hereby deleted in its entirety and replaced with the following:

"3.01 **Taxes.**

(a)**Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.**

(i) Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the Agent) require the deduction or withholding of any Tax from any such payment by the Agent or a Loan Party, then the Agent or such Loan Party shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Loan Party or the Agent shall be required by the Code to withhold or deduct any Taxes, including both United States federal backup withholding and withholding taxes, from any payment, then (A) the Agent shall withhold or make such deductions as are determined by the Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this **Section 3.01**) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Loan Party or the Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) such Loan Party or the Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Loan Party or the Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) **Payment of Other Taxes by the Loan Parties.** Without limiting the provisions of subsection (a) above, the Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Agent timely reimburse it for the payment of, any Other Taxes.

(c) **Tax Indemnifications.**

(i) Each of the Loan Parties shall, and does hereby, jointly and severally indemnify each Recipient, and shall make payment in respect thereof within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this **Section 3.01**) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the L/C Issuer (with a copy to the Agent), or by the Agent on its own behalf or on behalf of a Lender or the L/C Issuer, shall be conclusive absent manifest error. Each of the Loan Parties shall also, and does hereby, jointly and severally indemnify the Agent, and shall make payment in respect thereof within ten (10) days after demand

therefor, for any amount which a Lender or the L/C Issuer for any reason fails to pay indefeasibly to the Agent as required pursuant to **Section 3.01(c)(ii)** below.

(ii) Each Lender and the L/C Issuer shall, and does hereby, severally indemnify and shall make payment in respect thereof within ten (10) days after demand therefor, (A) the Agent against any Indemnified Taxes attributable to such Lender or the L/C Issuer (but only to the extent that any Loan Party has not already indemnified the Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (B) the Agent and the Loan Parties, as applicable, against any Taxes attributable to such Lender's failure to comply with the provisions of **Section 10.07(d)** relating to the maintenance of a Participant Register and (C) the Agent and the Loan Parties, as applicable, against any Excluded Taxes attributable to such Lender or the L/C Issuer, in each case, that are payable or paid by the Agent or a Loan Party in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Agent shall be conclusive absent manifest error. Each Lender and the L/C Issuer hereby authorizes the Agent to set off and apply any and all amounts at any time owing to such Lender or the L/C Issuer, as the case may be, under this Agreement or any other Loan Document against any amount due to the Agent under this *clause (ii)*.

(d) **Evidence of Payments.** Upon request by the Borrower or the Agent, as the case may be, after any payment of Taxes by the Borrower or by the Agent to a Governmental Authority as provided in this **Section 3.01**, the Borrower shall deliver to the Agent or the Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Borrower or the Agent, as the case may be.

(e) **Status of Lenders; Tax Documentation.**

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Agent, at the time or times reasonably requested by the Borrower or the Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Borrower or the Agent as will enable the Borrower or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in **Section 3.01(e)(ii)(A)**, **(ii)(B)** and **(ii)(D)** below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable

request of the Borrower or the Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of **Exhibit H-1** to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "**U.S. Tax Compliance Certificate**") and (y) executed originals of IRS Form W-8BEN; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of **Exhibit H-2** or **Exhibit H-3**, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of **Exhibit H-4** on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), executed originals of any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower or the Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this **Section 3.01** expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Agent have any obligation to file for or otherwise pursue on behalf of a Lender or the L/C Issuer, or have any obligation to pay to any Lender or the L/C Issuer, any refund of Taxes withheld or deducted from funds paid for the account of such Lender or the L/C Issuer, as the case may be. If any Recipient determines, that it has received a refund of any Taxes as to which it has been indemnified by any Loan Party or with respect to which any Loan Party has paid additional amounts pursuant to this **Section 3.01**, it shall pay to such Loan Party an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Loan Party under this **Section 3.01** with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Loan Party, upon the request of the Recipient, agrees to repay the amount paid over to the Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to the Loan Party pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This subsection shall not be construed to require the Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Loan Party or any other Person.

(g) Survival. Each party's obligations under this **Section 3.01** shall survive the resignation or replacement of the Agent or any assignment of rights by, or the replacement of, a Lender or the L/C Issuer, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations."

(d)**Section 7.11(f)** (Capital Expenditures) of the Credit Agreement is deleted in its entirety and replaced with the following:

"(f) **Capital Expenditures.** Make or become legally obligated to make any expenditure in respect of the purchase or other acquisition of any fixed or capital asset (excluding normal replacements and maintenance which are properly charged to current operations), except for Capital Expenditures that (i) do not exceed \$90,000,000 in the aggregate, during the two year period commencing October 1, 2011, and ending on September 30, 2013, and (ii) do not exceed

\$20,000,000 per Fiscal Year, commencing with the Fiscal Year ending September 30, 2013, and for each Fiscal Year ending thereafter.”

(e) **Section 10.15** of the Credit Agreement is hereby deleted in its entirety and replaced with “Intentionally Omitted.”

(f) The following is hereby added as **Section 10.22** of the Credit Agreement:

“10.22 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower and the other Loan Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “**Act**”), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Agent, as applicable, to identify each Loan Party in accordance with the Act. The Borrower and the Loan Parties agree to, promptly following a request by the Agent or any Lender, provide all such other documentation and information that the Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.”

(g) **Exhibit H-1, Exhibit H-2, Exhibit H-3, and Exhibit H-4** attached hereto are hereby added as **Exhibit H-1, Exhibit H-2, Exhibit H-3, and Exhibit H-4** to the Credit Agreement.

2. Conditions. This Amendment shall be effective as of the date first set forth above (the “**Effective Date**”) once each of the following have been delivered to Agent:

- (a) this Amendment executed by Borrower, Agent and Lenders;
- (b) Guarantors’ Consent and Agreement executed by the Guarantors; and
- (c) such other documents as Agent or Lenders may reasonably request.

3. Representations and Warranties. Parent represents and warrants to Agent and Lenders that (a) it possesses all requisite power and authority to execute, deliver and comply with the terms of this Amendment, (b) this Amendment has been duly authorized and approved by all requisite corporate action on the part of such parties, (c) no other consent of any Person (other than Lenders) is required for this Amendment to be effective, (d) the execution and delivery of this Amendment does not violate its organizational documents, (e) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (*except* to the extent that such representations and warranties speak to a specific date), (f) it is in full compliance with all covenants and agreements contained in each Loan Document (as amended by this Amendment) to which it is a party, and (g) no Default or Event of Default has occurred and is continuing. The representations and warranties made in this Amendment shall survive the execution and delivery of this Amendment. No investigation by Agent or Lenders is required for Agent or Lenders to rely on the representations and warranties in this Amendment.

4. Scope of Amendment; Reaffirmation; Release. All references to the Credit Agreement shall refer to the Credit Agreement as amended by this Amendment. Except as affected by this Amendment, the Loan Documents are unchanged and continue in full force and effect. However, in the event of any inconsistency between the terms of the Credit Agreement (as amended by this Amendment) and any other Loan Document, the terms of the Credit Agreement shall control and such other document shall be deemed to be amended to conform to the terms of the Credit Agreement. Parent hereby reaffirms its obligations under the Loan Documents to which each is a party and agrees that all Loan Documents to which it is a party remain in full force and effect and continue to be legal, valid, and binding obligations enforceable in accordance with their terms (as the same are affected by this Amendment). **As a material part of the consideration for Agent and Lenders entering into this Amendment, Parent hereby releases and forever discharges Agent and Lenders (and their respective successors, assigns, affiliates, officers, managers, directors, employees, and agents) from any**

and all claims, demands, damages, causes of action, or liabilities for actions or omissions (whether arising at law or in equity, and whether direct or indirect) in connection with the Credit Agreement and the other Loan Documents prior to the date of this Amendment, whether or not heretofore asserted, and which Borrower or any Company may have or claim to have against Agent and Lenders.

5. Miscellaneous.

(a) Waiver. This Amendment does not constitute (i) a waiver of, or a consent to (A) any provision of the Credit Agreement or any other Loan Document not expressly referred to in this Amendment, or (B) any present or future violation of, or default under, any provision of the Loan Documents, or (ii) a waiver of Agent's or Lenders' right to insist upon future compliance with each term, covenant, condition and provision of the Loan Documents.

(b) Form. Each agreement, document, instrument or other writing to be furnished to Lenders under any provision of this Amendment must be in form and substance satisfactory to Agent and its counsel.

(c) Headings. The headings and captions used in this Amendment are for convenience only and will not be deemed to limit, amplify or modify the terms of this Amendment, the Credit Agreement, or the other Loan Documents.

(d) Costs, Expenses and Attorneys' Fees. Parent agrees to pay or reimburse Agent on demand for all of their reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, and execution of this Amendment, including, without limitation, the reasonable fees and disbursements of Agent's counsel.

(e) Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of each of the undersigned and their respective successors and permitted assigns.

(f) Multiple Counterparts. This Amendment may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. This Amendment may be transmitted and signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on Parent, Agent and Lenders. Agent may also require that any such documents and signatures be confirmed by a manually-signed original; *provided that* the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(g) Governing Law. This Amendment and the other Loan Documents must be construed, and their performance enforced, under Texas law.

(h) Entirety. **The Loan Documents (as amended hereby) Represent the Final Agreement Among Parent, Agent and Lenders and May Not Be Contradicted by Evidence of Prior, Contemporaneous, or Subsequent Oral Agreements by the Parties. There Are No Unwritten Oral Agreements among the Parties.**

[Signatures appear on the following pages.]

The Amendment is executed as of the date set out in the preamble to this Amendment.

POWELL INDUSTRIES, INC., as Borrower

By: /s/ Don R. Madison

Don R. Madison

Vice President, Secretary and Treasurer

Signature Page to Eleventh Amendment to Credit Agreement

BANK OF AMERICA, N.A., as Agent

By: /s/ Jameson K. Burke

Jameson K. Burke

Assistant Vice President

BANK OF AMERICA, N.A., as a Lender, L/C Issuer and Swing Line Lender

By: /s/ Jameson K. Burke

Jameson K. Burke

Assistant Vice President

Signature Page to Eleventh Amendment to Credit Agreement

GUARANTORS' CONSENT AND AGREEMENT TO ELEVENTH AMENDMENT

As an inducement to Agent and Lenders to execute, and in consideration of Agent's and Lenders' execution of, this Amendment, the undersigned hereby consents to this Amendment and agrees that this Amendment shall in no way release, diminish, impair, reduce or otherwise adversely affect the obligations and liabilities of the undersigned under the Guaranty executed by each of the undersigned in connection with the Credit Agreement, or under any Loan Documents, agreements, documents or instruments executed by the undersigned to create liens, security interests or charges to secure any of the Obligations (as defined in the Credit Agreement), all of which are in full force and effect. The undersigned further represents and warrants to Agent and Lenders that (a) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (except to the extent that such representations and warranties speak to a specific date), (b) it is in full compliance with all covenants and agreements contained in each Loan Document to which it is a party, and (c) no Default or Event of Default has occurred and is continuing. Guarantors hereby release Agent and Lenders from any liability for actions or omissions in connection with the Loan Documents prior to the date of this Amendment. This Guarantors' Consent and Agreement shall be binding upon each of the undersigned, and its permitted assigns, and shall inure to the benefit of Agent, Lenders, and its successors and assigns.

GUARANTORS:

TRANSDYN, INC.,
a Delaware corporation

POWELL INDUSTRIES ASIA, INC.,
a Delaware corporation

By: /s/ Don R. Madison
Don Madison
Vice President, Secretary, and
Treasurer

By: /s/ Don R. Madison
Don Madison
Vice President, Secretary, and
Treasurer

POWELL INDUSTRIES INTERNATIONAL, INC., a
Delaware corporation

POWELL ELECTRICAL SYSTEMS, INC.,
a Delaware corporation

By: /s/ Don R. Madison
Don Madison
Vice President, Secretary, and
Treasurer

By: /s/ Don R. Madison
Don Madison
Vice President, Secretary, and
Treasurer

Guarantors' Consent and Agreement to Eleventh Amendment to Credit Agreement

Exhibit C-1
Committed Loan Notice

CERTIFICATION

I, Michael A. Lucas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Powell Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael A. Lucas
Michael A. Lucas
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2013

CERTIFICATION

I, Don R. Madison, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Powell Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Don R. Madison
Don R. Madison
Executive Vice President
Chief Financial and Administrative Officer
(Principal Financial Officer)
Date: August 7, 2013

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report (the "Report") on Form 10-Q of Powell Industries, Inc. (the "Company") for the quarter ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof, I, Michael A. Lucas, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael A. Lucas
Michael A. Lucas
President and Chief Executive Officer

Date: August 7, 2013

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report (the "Report") on Form 10-Q of Powell Industries, Inc. (the "Company") for the quarter ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof, I, Don R. Madison, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

/s/ Don R. Madison

Don R. Madison

Executive Vice President

Chief Financial and Administrative Officer

Date: August 7, 2013
