SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended October 31, 2005.

OR

o **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	**88-0106100**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
8550 Mosley Drive, Houston, Texas	**77075-1180**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(713) 944-6900

Securities registered pursuant to section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of Act:

Common Stock, par value $.01 per share

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☑ No o

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes No ☑

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. o Yes No ☑

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the most recently completed second fiscal quarter, April 30, 2005, was approximately $194,745,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

At January 12, 2006, there were outstanding 10,853,378 shares of the registrant's common stock, par value $0.01 per share.

Documents Incorporated By Reference

Portions of the registrant's definitive Proxy Statement for the 2006 annual meeting of stockholders to be filed not later than 120 days after October 31, 2005, are incorporated by reference into Part III of this Form 10-K.

POWELL INDUSTRIES, INC.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS; RISK FACTORS

Forward-Looking Statements

This Annual Report on Form 10-K includes forward-looking statements based on the Company's current expectations, which are subject to risks and uncertainties. Forward-looking statements include information concerning future results of operations and financial condition. Statements that contain words such as "believes," "expects," "anticipates," "intends," "estimates," "continue," "should," "could," "may," "plan," "project," "predict," "will," or similar expressions may be forward-looking statements. These forward-looking statements are subject to risks and uncertainties, and many factors could affect the future financial results and condition of the Company. Factors that may have a material effect on our revenues, expenses and operating results include adverse business or market conditions, the Company's ability to secure and satisfy customers, the availability and cost of materials from suppliers, adverse competitive developments and changes in customer requirements as well as those circumstances discussed under "Risk Factors," below. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements contained in this Report. Any forward-looking statements made by or on our behalf are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

The forward-looking statements contained in this Annual Report are based on current assumptions that the Company will continue to develop, market, manufacture, and ship products and provide services on a competitive and timely basis, that competitive conditions in the Company's markets will not change in a materially adverse way, that the Company will accurately identify and meet customer needs for products and services, that the Company will be able to retain and hire key employees, that the Company's capabilities will remain competitive, that risks related to shifts in customer demand are minimized and that there will be no material adverse change in the operations or business of the Company. Assumptions relating to these factors involve judgments that are based on available information, which may not be complete, and are subject to changes in many factors beyond the control of the Company that can materially affect results. Because of these and other factors that affect our operating results, past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risk Factors

Our business is subject to a variety of risks, including the risks described below. While we believe that the risks and uncertainties described below are the more significant risks and uncertainties facing our business, they are not the only ones facing our company. Additional risks and uncertainties not known to us or not described below may also impair our business operations. If any of the following risks actually occur, our business, financial condition and results of operations could be harmed and we may not be able to achieve our goals. This Annual Report also includes statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the discussion under Forward-Looking Statements, above.

Our industry is highly competitive

Many of our competitors are significantly larger and have substantially greater resources than we do. Competition in the industry depends on a number of factors, including price. Certain of our competitors may have lower cost structures and may, therefore, be able to provide their products or services at lower rates than we are able to provide. We cannot be certain that our competitors will not develop the expertise, experience and resources to provide services that are superior in both price and quality to our services. Similarly, we cannot be certain that we will be able to maintain or enhance our competitive position within our industry, maintain our customer base at current levels or increase our customer base.

An economic downturn may lead to lower demand for our services

If the general level of economic activity deteriorates from current levels, our customers may delay or cancel new projects. A number of factors, including financing conditions for and potential bankruptcies in the industries we serve, could adversely affect our customers and their ability or willingness to fund capital expenditures in the future or pay for past services. In addition, consolidation, competition or capital constraints in the industries we serve may result in reduced spending by, or the loss of, one or more of our customers.

International and political events may adversely affect our operations

International sales accounted for approximately 25% of our revenues in fiscal 2005, including sales from our operations in the United Kingdom which were acquired in July 2005. We primarily operate in developed countries with stable operating and fiscal environments. The occurrence of any of the risks described below could have an adverse effect on our consolidated results of operations, cash flows and financial condition:

- political and economic instability;
- social unrest, acts of terrorism, force majeure, war or other armed conflict;
- inflation;
- currency fluctuations, devaluations and conversion restrictions;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds; and
- trade restrictions and economic embargoes imposed by the United States or other countries.

Fluctuations in the price and supply of raw materials used to manufacture our products may reduce our profits

Our raw material costs represented approximately 51% of our revenues in fiscal 2005. We purchase a wide variety of raw materials to manufacture our products including steel, aluminum, copper, and various electrical components. Unanticipated increases in raw material requirements or price increases could increase production costs and adversely affect profitability.

Our dependence upon fixed-price contracts could adversely affect our business

We currently generate, and expect to continue to generate, a significant portion of our revenues under fixed-price contracts. We must estimate the costs of completing a particular project to bid for fixed-price contracts. The cost of labor and materials, however, may vary from the costs we originally estimated. These variations, along with other risks inherent in performing fixed-price contracts, may cause actual revenue and gross profits for a project to differ from those we originally estimated and could result in reduced profitability or losses on projects. Depending upon the size of a particular project, variations from the estimated contract costs could have a significant impact on our operating results for any fiscal quarter or year.

Our acquisition strategy involves a number of risks

We intend to pursue growth through the pursuit of opportunities to acquire companies or assets that will enable us to expand our product and service offerings. We routinely review potential acquisitions. However, we may be unable to implement this growth strategy if we cannot reach agreement on potential strategic acquisitions on acceptable terms or for other reasons. Moreover, our acquisition strategy involves certain risks, including:

- difficulties in the integration of operations and systems;
- the termination of relationships by key personnel and customers of the acquired company;
- a failure to add additional employees to handle the increased volume of business;

- additional financial and accounting challenges and complexities in areas such as tax planning, treasury management and financial reporting;
- risks and liabilities from our acquisitions, some of which may not be discovered during our due diligence;
- a disruption of our ongoing business or an inability of our ongoing business to receive sufficient management attention; and
- a failure to realize the cost savings or other financial benefits we anticipated.

Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms.

Our use of percentage-of-completion accounting could result in a reduction or elimination of previously reported profits

As discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” and in the notes to our consolidated financial statements, a significant portion of our revenues is recognized on a percentage-of-completion method of accounting. The percentage-of-completion accounting practice we use results in our recognizing contract revenues and earnings ratably over the contract term in proportion to our incurrence of contract costs, primarily labor. The earnings or losses recognized on individual contracts are based on estimates of contract revenues, costs and profitability. Contract losses are recognized in full when determined, and contract profit estimates are adjusted based on ongoing reviews of contract profitability. Actual collection of contract amounts or change orders could differ from estimated amounts and could result in a reduction or elimination of previously recognized earnings. In certain circumstances, it is possible that such adjustments could be significant.

We may not be able to fully realize the revenue value reported in our backlog

We have a backlog of work to be completed on contracts. Orders included in our backlog are represented by customer purchase orders and contracts, which we believe to be firm. Backlog develops as a result of new business taken, which represents the revenue value of new project commitments received by us during a given period. Backlog consists of projects which have either (1) not yet been started or (2) are in progress and are not yet complete. In the latter case, the revenue value reported in backlog is the remaining value associated with work that has not yet been completed. From time to time, projects are canceled that appeared to have a high certainty of going forward at the time they were recorded as new business taken. In the event of a project cancellation, we may be reimbursed for certain costs but typically have no contractual right to the total revenue reflected in our backlog. In addition to being unable to recover certain direct costs, canceled projects may also result in additional unrecoverable costs due to the resulting underutilization of our assets.

Our operating results may vary significantly from quarter to quarter

Our quarterly results may be materially and adversely affected by:

- the timing and volume of work under new agreements;
- general economic conditions;
- the budgetary spending patterns of customers;
- variations in the margins of projects performed during any particular quarter;
- losses experienced in our operations not otherwise covered by insurance;
- a change in the demand or production of our products and our services caused by severe weather conditions;
- a change in the mix of our customers, contracts and business;

- increases in design and manufacturing costs; and
- ability of customers to pay their invoices owed to us.

Accordingly, our operating results in any particular quarter may not be indicative of the results that you can expect for any other quarter or for the entire year.

We may be unsuccessful at generating internal growth

Our ability to generate internal growth will be affected by, among other factors, our ability to:

- attract new customers;
- increase the number or size of projects performed for existing customers;
- hire and retain employees; and
- increase volume utilizing our existing facilities.

In addition, our customers may reduce the number or size of projects available to us. Many of the factors affecting our ability to generate internal growth may be beyond our control, and we cannot be certain that our strategies will be successful or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. If we are unsuccessful, we may not be able to achieve internal growth, expand our operations or grow our business.

The departure of key personnel could disrupt our business

We depend on the continued efforts of our executive officers and senior management. We cannot be certain that any individual will continue in such capacity for any particular period of time. The loss of key personnel, or the inability to hire and retain qualified employees, could negatively impact our ability to manage our business.

Our business requires skilled labor, and we may be unable to attract and retain qualified employees

Our ability to maintain our productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We may experience shortages of qualified personnel. We cannot be certain that we will be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy or that our labor expenses will not increase as a result of a shortage in the supply of skilled personnel. Labor shortages or increased labor costs could impair our ability to maintain our business or grow our revenues.

PART I

Item 1. *Business*

Overview

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

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, and Switchgear & Instrumentation Properties Limited.

Our website address is www.powellind.com. We make available free of charge on or through our website copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Paper or electronic copies of such material may also be requested by contacting the Company at our corporate offices.

Our business operations are consolidated into two business segments: Electrical Power Products and Process Control Systems. Approximately 75%, 86% and 84% of our consolidated revenues for the fiscal years ended October 31, 2005, 2004 and 2003, respectively, were generated in the United States of America. Approximately 84% of our long-lived assets were located in the United States at October 31, 2005, with the remaining balance located primarily in the United Kingdom. Financial information related to our business and geographical segments is included in Note L of the Notes to Consolidated Financial Statements.

On July 4, 2005, we acquired selected assets and assumed certain operating liabilities and contracts of Switchgear & Instrumentation Limited in the United Kingdom. We refer to the acquired business herein as "S&I." The operating results of S&I are included in our Electrical Power Products segment from that date. Total consideration paid for S&I was approximately $19.2 million of which approximately $10.3 million of the purchase price was funded from existing cash and investments and the balance was provided through additional debt financing. For further information on our S&I acquisition, see Note C of Notes to Consolidated Financial Statements.

Electrical Power Products

Our Electrical Power Products segment designs, manufactures, and markets engineered-to-order electrical power management systems designed (1) to distribute, monitor, and control the flow of electrical energy and (2) to provide protection to motors, transformers and other electrically powered equipment. Our principal products include offshore modules, power control room packages, switchgear, motor control centers and bus duct systems. These products are designed for application voltages ranging from 480 volts to in excess of 36,000 volts and are used in the transportation, industrial, and utility markets.

On July 4, 2005, we acquired selected assets and assumed selected operating liabilities and contracts of Switchgear & Instrumentation Limited in the United Kingdom, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview. S&I's primary manufacturing facility is in the United Kingdom. This acquisition is part of the Company's overall strategy to increase its international presence. S&I affords Powell the opportunity to serve customers with products covering a wider range of electrical standards and opens new geographic markets previously closed due to our lack of product portfolio that met international electrical standards. The fit, culture and market position of Powell and S&I are favorably comparable with similar reputations in engineered-to-order solutions.

Customers and Markets

This segment's principal products are designed for use by and marketed to sophisticated users of large amounts of electrical energy. Our customers include oil and gas producers, oil and gas pipelines, refineries, petrochemical plants, electrical power generators, public and private utilities, mining, pulp and paper mills, transportation systems, governmental agencies, and other large industrial customers.

Products and services are principally sold directly to the end-user or to an EPC (engineering, procurement and construction) firm on behalf of the end-user. We market and sell our products and services to a wide variety of customers, markets and geographic regions. During each of the past three fiscal years, we did not have any one customer that accounted for more than 10% of annual segment revenues. Accordingly, we do not believe that the loss of any specific customer would have a material adverse effect on our business. While we are not dependent upon any one customer for revenues, we could be adversely impacted by a significant reduction in business volume from a particular industry which we currently serve.

During each of the past three fiscal years, no one country, except for the United States, accounted for more than 10% of segment revenues. For information on the geographic areas in which our consolidated revenues were recorded in each of the past three years, see Note L of Notes to Consolidated Financial Statements.

Competition

Our Electrical Power Products segment operates in a competitive market where competition for each project varies. The competition may include large multinational firms as well as small regional low-cost providers, depending upon the type of project. This segment's products and systems are engineered-to-order and designed to meet the exact specifications of our customers. Many repeat customers seek our involvement in finding solutions to specific project-related issues including physical size, rating, application, installation, and commissioning. We consider our engineering, manufacturing, and service capabilities vital to the success of our business, and believe our technical and project management strengths, together with our responsiveness and flexibility to the needs of our customers, give us a competitive advantage in our markets. Ultimately, our competitive position is dependent on the ability to provide quality products and systems on a timely basis at a competitive price.

Backlog

Orders in the Electrical Power Products segment backlog at October 31, 2005, totaled $212.9 million compared to $89.5 million at the end of the previous fiscal year. We anticipate that approximately $160 million of our ending 2005 backlog will be fulfilled during our fiscal year 2006. A portion of the increase in backlog relates to a contract totaling approximately $51 million which will be delivered over a four-year period. This contract is with a municipal agency, and production began in the first quarter of fiscal 2006. Orders included in our backlog are represented by customer purchase orders and contracts, which we believe to be firm. However, weak economic conditions caused us to experience some customer delays and cancellations of certain projects during 2004 and 2003.

Raw Materials and Suppliers

The principal raw materials used in Electrical Power Products' operations include steel, copper, aluminum, and various electrical components. These raw material costs represented approximately 51% of our revenues in fiscal 2005. Unanticipated increases in raw material requirements or price increases could increase production costs and adversely affect profitability.

We purchase certain key electrical components on a sole-source basis and maintain a qualification and performance monitoring program to control risk associated with sole-sourced items. Changes in our design to accommodate similar components from other suppliers could be implemented to resolve a supply problem related to a sole-sourced component. In this circumstance, supply problems could result in short-term delays in our ability to meet commitments to our customers. We believe that sources of supply for raw materials and components are generally sufficient and have no reason to believe a shortage of raw materials will cause any material adverse impact during fiscal year 2006. While we are not dependent on any one supplier for a material amount of our raw materials, we are highly dependent on our suppliers in order to meet commitments to our customers. We did not experience significant or unusual problems in the purchase of key raw materials and commodities in the past three years.

Inflation

This segment is subject to the effects of changing prices. During fiscal 2004 and 2005, we experienced increased costs for certain commodities, in particular steel, copper and aluminum products, which are used in the production of our products. While the cost outlook for commodities used in production of our products is not certain, we believe we can manage these inflationary pressures through contract pricing adjustments and by actively pursuing internal cost reduction efforts. We have not entered into any derivative contracts to hedge our exposure to commodity price changes in fiscal years 2005, 2004, or 2003.

Employees

At October 31, 2005, the Electrical Power Products segment had 1,390 full-time employees located in the United States, the United Kingdom and Singapore. Our employees are not represented by unions, and we believe that our relationship with employees is good.

Research and Development

This segment's research and development activities are directed toward the development of new products and processes as well as improvements in existing products and processes. Research and development expenditures were $2.1 million, $2.7 million and $2.9 million in fiscal years 2005, 2004 and 2003, respectively.

Intellectual Property

While we are the holder of various patents, trademarks, and licenses relating to this segment, we do not consider any individual intellectual property to be material to our consolidated business operations.

Process Control Systems

Our Process Control Systems segment designs and delivers technology solutions that help our customers manage their critical transportation, environmental, energy, industrial and utility facilities. We offer a diverse set of professional services that specialize in the design, integration, and support of high-availability control, security/surveillance, and communications systems. The systems allow our customers to safely and effectively manage their vital processes and facilities.

Customers and Markets

This segment's products and services are principally sold directly to end-users in the transportation, environmental, energy, and industrial sectors. We may be dependent on one specific contract or customer for a significant percentage of our revenues due to the nature of large, long-term construction projects common to this segment. For example, during 2003, we received a contract to design and build Intelligent Transportation Systems (ITS) for the Port Authority of New York and New Jersey, which accounted for 16% of segment revenues in fiscal 2003 and 44% in both fiscal 2004 and fiscal 2005. In each of the past three fiscal years, we had revenues with one customer that individually accounted for more than 10% of our segment revenues. Revenues from these customers totaled $17.1 million, $14.8 million, and $4.8 million in fiscal 2005, 2004 and 2003, respectively. Our contracts often represent large-scale, single-need projects with an individual customer. By their nature, these projects are typically nonrecurring for those customers, and multiple and/or continuous requirements of similar magnitude with the same customer are rare. Thus, the inability to successfully replace a completed large contract with one or more of combined similar magnitude could have a material adverse effect on segment revenues.

During each of the past three fiscal years, no one country, except for the United States, accounted for more than 10% of segment revenues. For information on the geographic areas in which our consolidated revenues were recorded in each of the past three years, see Note L of the Notes to Consolidated Financial Statements.

Competition

This segment operates in a competitive market where competition for each contract varies. The competition may include large multinational firms, as well as small regional low-cost providers, depending upon the type of system and customer requirements.

Our customized systems are designed to meet the specifications of our customers. Each order is designed, delivered, and installed to the unique requirements of the particular application. We consider our engineering, systems integration, installation, and support capabilities vital to the success of our business. We believe our technical, software products, and project management strengths, together with our responsiveness, our flexibility, financial strength, and our over thirty-year history of supporting mission-critical systems give us a competitive advantage in our markets.

Backlog

Orders in the Process Control Systems segment backlog at October 31, 2005 totaled $46.1 million compared to $44.8 million at the end of the previous fiscal year. We anticipate that approximately $22 million of our ending 2005 backlog will be fulfilled during our fiscal year 2006. As of October 31, 2005, $5.7 million of our ending backlog relates to the ITS contract described in "Customers and Markets," above. Orders included in our backlog are represented by customer purchase orders and contracts, which we believe to be firm. We have not experienced a material amount of canceled orders during the past three fiscal years.

Employees

The Process Control Systems segment had 110 full-time employees at October 31, 2005, all located in the United States. Our employees are not represented by unions and we believe that our relationship with employees is good.

Research and Development

The majority of research and development activities of this segment are directed toward the development of our software suites for the management and control of the critical processes and facilities of our customers. Research and development expenditures were $0.7 million, $0.8 million and $0.7 million in fiscal years 2005, 2004 and 2003, respectively.

Intellectual Property

While we are the holder of various copyrights related to software for this segment, we do not consider any individual intellectual property to be material to our consolidated business operations.

Item 2. *Properties*

We have manufacturing facilities, sales offices, field offices, and repair centers located throughout the United States, and we have a manufacturing facility in the United Kingdom. We also rent manufacturing space in Singapore on an as needed basis. Our facilities are generally located in areas that are readily accessible to raw materials and labor pools and are maintained in good condition. These facilities, together with recent expansions, are expected to meet our needs for the foreseeable future.

Our principal manufacturing locations by segment as of October 31, 2005, are as follows:

Location	Number of Facilities	Acres	Approximate Square Footage Owned	Approximate Square Footage Leased
Electrical Power Products:				
Houston, TX	2	68.2	430,600	—
North Canton, OH	1	8.0	72,000	—
Northlake, IL	1	10.0	103,500	—
Bradford, United Kingdom	1	7.9	129,200	—
Process Control Systems:				
Pleasanton, CA	1		—	39,100
Duluth, GA	1		—	29,700

We also own one idle facility, located in Elyria, Ohio, consisting of manufacturing and office space. We anticipate that we will sell this property during the coming year. As this property is held for sale, the $0.8 million of related net book value is included in other current assets at October 31, 2005. This facility was previously used to manufacture our nonsegregated bus duct product line, which has been consolidated into another existing Company facility.

All leased properties are subject to long-term leases with remaining lease terms ranging from one to four years as of October 31, 2005. We do not anticipate experiencing significant difficulty in retaining occupancy of any of our leased facilities through lease renewals prior to expiration or through month-to-month occupancy, or in replacing them with equivalent facilities.

Item 3. ***Legal Proceedings***

We previously entered into a construction joint venture agreement to supply, install and commission a Supervisory Control and Data Acquisition System (“SCADA”) to monitor and control the distribution and delivery of fresh water under a contract with the City of San Francisco Public Utility Commission (“Commission”). The project was substantially completed and has been performing to the satisfaction of the Commission. However, various factors outside of our control and the control of our joint venture partner caused numerous changes and additions to the work that in turn delayed the completion of the project. The Commission has withheld liquidated damages and earned contract payments from the joint venture. We have made claims against the Commission for various matters, including compensation for extra work and delay to the project. We are currently pursuing the recovery of amounts owed under the contract, as well as legal and other costs incurred to defend our claim. Unless the matter is otherwise resolved, this claim is scheduled to go to trial in the first half of 2006.

As of October 31, 2005, we had approximately $1.4 million recorded in our consolidated balance sheet for contractually owed amounts in accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts related to our portion of this contract. Consistent with our policy, only costs of directed change orders have been recorded by the Company. During the last two fiscal years, the Company’s gross profit has been reduced by approximately $2.9 million in fiscal 2005 and $0.9 million in fiscal 2004 related to direct costs, including legal fees, related to this dispute. We have not recorded any amounts related to our claims and counterclaims alleging breach of the agreement. Although a failure to recover the amounts recorded could have a material adverse effect on our results of operations, we believe that, under the circumstances and on the basis of information now available, an unfavorable outcome is unlikely.

Item 4. ***Submission of Matters to a Vote of Security Holders***

We did not submit any matter to a vote of our stockholders during the fourth quarter of fiscal year 2005.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Price Range of Common Stock

Our common stock trades on the NASDAQ National Market under the symbol "POWL." The following table sets forth, for the periods indicated, the high and low sales prices per share as reported on the NASDAQ National Market for our common stock.

	High	Low
Fiscal Year 2004:		
First Quarter	$ 20.50	$ 14.50
Second Quarter	19.50	14.85
Third Quarter	18.73	15.25
Fourth Quarter	18.21	15.87
Fiscal Year 2005:		
First Quarter	$ 18.93	$ 15.95
Second Quarter	19.67	16.84
Third Quarter	23.80	17.03
Fourth Quarter	23.98	19.28

As of January 12, 2006, the last reported sales price of our common stock on the NASDAQ National Market was $18.29 per share. As of January 12, 2006, there were 624 stockholders of record of our common stock. All common stock held in broker accounts are included as one stockholder of record.

See Part III, Item 12 for information regarding securities authorized for issuance under our equity compensation plan.

Dividend Policy

Our current credit agreement limits the payment of dividends, other than dividends payable solely in our capital stock, without prior consent of our lenders. To date, we have not paid cash dividends on our common stock, and for the foreseeable future we intend to retain earnings for the development of our business. Future decisions to pay cash dividends will be at the discretion of the Board of Directors and will depend upon our results of operations, financial condition and capital expenditure plans, along with other relevant factors.

Item 6. *Selected Financial Data*

The selected financial data shown below for the past five years was derived from our audited financial statements. The historical results are not necessarily indicative of the operating results to be expected in the future. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

On July 4, 2005, we acquired selected assets and assumed certain operating liabilities and contracts of Switchgear & Instrumentation Limited in the United Kingdom. We refer to the acquired business as "S&I." The operating results of S&I are included from that date.

	Years Ended October 31, 2005	2004	2003	2002	2001
	(in thousands, except per share data)				
Statements of Operations:					
Revenues	$ 256,645	$ 206,142	$ 253,381	$ 306,403	$ 271,243
Cost of goods sold	212,785	170,165	204,585	238,883	214,446
Gross profit	43,860	35,977	48,796	67,520	56,797
Selling, general and administrative expenses	41,846	35,357	35,339	39,031	35,007
Gain on sale of land and building	1,052	—	—	—	—
Income before interest, income taxes, minority interest, and cumulative effect of change in accounting principle	3,066	620	13,457	28,489	21,790
Interest expense (income), net	(386)	(744)	(175)	210	359
Income tax provision (benefit)	1,138	(282)	6,137	10,481	7,889
Minority interest	63	(23)	—	—	—
Income from continuing operations before cumulative effect of change in accounting principle	2,251	1,669	7,495	17,798	13,542
Cumulative effect of change in accounting principle, net of tax	—	—	(510)	—	—
Net income	$ 2,251	$ 1,669	$ 6,985	$ 17,798	$ 13,542
Basic earnings per share	$ 0.21	$ 0.16	$ 0.66	$ 1.69	$ 1.30
Diluted earnings per share	$ 0.21	$ 0.15	$ 0.65	$ 1.66	$ 1.28

	As of October 31, 2005	2004	2003	2002	2001
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 24,844	$ 8,974	$ 11,863	$ 9,362	$ 6,520
Marketable securities	8,200	54,208	30,452	5,000	—
Property, plant and equipment, net	55,678	45,041	43,998	45,020	37,409
Total assets	$ 226,659	$ 196,079	$ 190,478	$ 189,708	$ 186,361
Long-term debt and capital lease obligations, including current maturities	21,531	7,100	7,359	12,010	22,714
Total stockholders' equity	144,414	139,835	136,364	128,100	109,369
Total liabilities and stockholders' equity	226,659	196,079	190,478	189,708	186,361

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the accompanying consolidated financial statements and related notes. Any forward-looking statements made by or on our behalf are made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that such forward-looking statements involve risks and uncertainties in that the actual results may differ materially from those projected in the forward-looking statements. For a description of the risks and uncertainties, please see "Cautionary Statement Regarding Forward-Looking Statements; Risk Factors" contained in this Form 10-K.

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Overview

We have experienced a marked improvement in market demand for our products and services. In fiscal 2005, our markets improved considerably over the difficult market conditions that existed in fiscal 2003 and 2004. Additionally, market price levels are beginning to improve as the overall volume of business activity has increased. We believe this improvement in the market should benefit our operating results in fiscal 2006.

This past year, we significantly enhanced our international presence and improved our capability to serve our existing base of global customers. On July 4, 2005, we acquired certain assets and assumed certain operating liabilities and contracts of Switchgear & Instrumentation, Limited. Total consideration paid for S&I was approximately $18.0 million (excluding expenses of approximately $1.2 million). Approximately $10.3 million of the purchase price was funded from existing cash and investments, and the balance was provided through additional debt financing. S&I's primary manufacturing facility is located in the United Kingdom. S&I is a supplier of medium and low voltage switchgear, intelligent motor control systems and power distribution solutions to a wide range of process industries with a focus on oil and gas, petrochemical, and other process-related industries. The operating results of S&I are included in our Electrical Power Products Segment from the acquisition date. Additional information concerning this acquisition, related debt and business segments is included in Notes C, H and L, respectively, of the Notes to Consolidated Financial Statements. We anticipate opportunities outside of the United States to continue to grow, and with the integration with our U.S. operations, S&I is expected to significantly improve our ability to support the worldwide investment in oil and gas production, refineries and petrochemical facilities.

Beginning in late fiscal 2004, our principal markets of heavy industry and utilities entered into a new investment cycle. Customer inquiries, or requests for proposals, steadily strengthened during the second half of fiscal 2004 which led to a strengthening in new orders in fiscal 2005. One of the positive trends we have experienced is an increase in new order activity. Orders received during the second half of fiscal 2005 totaled $226.8 million versus $104.5 million in the same period a year ago. We currently anticipate that this higher level of business activity will continue into fiscal 2006.

During 2005, we completed a consolidation plan to reduce the number of facilities in our Electrical Power Products segment. This consolidation has reduced our overhead costs and improved our operating efficiencies. In the first three months of 2005, we incurred start-up difficulties and inefficiencies as a result of relocating some of our product lines. These transition inefficiencies have now been resolved, and fiscal 2006 should benefit from these consolidations. During the second half of 2005, we completed our evaluation and selection of a new Enterprise Resource Planning System ("ERP System"). Implementation at each of our U.S. Electrical Power Products operations is planned by the end of fiscal 2006. The implementation of a new ERP System will provide the tools needed to redesign, streamline and standardize our business processes across the business segment with the goal of improving efficiencies and reducing costs of operations.

Results of Operations

Year Ended October 31, 2005, Compared to Year Ended October 31, 2004

Revenue and Gross Profit

Consolidated revenues increased 24.5% to $256.6 million in fiscal 2005 compared to fiscal 2004 revenues of $206.1 million. Revenues increased primarily due to general market recovery, a concerted sales effort aimed at strengthening our backlog and our acquisition of S&I in July 2005. The S&I acquisition added revenues of $19.9 million, all outside the United States, in fiscal 2005. For the twelve months ended October 31, 2005, revenues in the United States increased by 8% to $191.7 million. Revenues outside of the United States were $64.9 million in fiscal 2005 compared to $29.0 million in the prior year, primarily due to our acquisition of S&I. Revenues outside of the United States accounted for 25% of consolidated revenues in fiscal 2005 compared to 14% in fiscal 2004, primarily due to our acquisition of S&I.

Electrical Power Products

Our Electrical Power Products segment recorded revenues of $220.1 million in fiscal 2005, which includes revenues of $19.9 million from our July 2005 acquisition of S&I, compared to $173.5 million for the previous year. During fiscal 2005, revenues from utility markets and from industrial customers strengthened compared to the prior year. In fiscal 2005, revenues from public and private utilities were approximately $78.4 million, an increase of $19.6 million compared to fiscal 2004. Revenues from industrial customers totaled $133.1 million in fiscal 2005, a 36% increase over the prior year. Municipal and transit projects generated revenues of $8.6 million in fiscal 2005 compared to $16.7 million a year ago.

The Electrical Power Products segment reported gross profit, as a percentage of revenues, of 15.2% in fiscal 2005, compared to 16.8% in fiscal 2004. Material costs for basic commodities increased $1.5 million in fiscal 2005 compared to a year ago, primarily due to higher unit prices for copper, aluminum and steel. In addition, gross profit margins were adversely impacted in fiscal 2005 due to competitive pricing pressures as a result of depressed market levels when projects were bid in previous periods. Gross profit in fiscal 2004 was adversely impacted by one-time expenses of $1.8 million associated with our decision to close certain underutilized operating facilities. These expenses included employee severance, training and equipment relocation costs.

Process Control Systems

Revenues in our Process Control Systems segment increased to $36.5 million in fiscal 2005 from $32.7 million in fiscal 2004. The strength of our revenues is related, in part, to our contract to design and build the Intelligent Transportation Systems (ITS) for the Holland and Lincoln tunnels. Revenues in fiscal 2005 also include $1.7 million related to the favorable settlement of a claim which was not recorded by the Company related to the Central Artery Tunnel Project as discussed in Note K of Notes to Consolidated Financial Statements.

Segment gross profit, as a percentage of revenues, improved to 28.7% in fiscal 2005 compared to 21.0% in fiscal 2004. This increase in gross profit margin can be attributed to improved execution on a number of projects nearing completion and the recovery of previously recognized costs on the Central Artery Tunnel Project. Additionally, gross profit was negatively impacted by approximately $2.9 million in 2005 and $0.9 million in 2004 related primarily to legal costs incurred related to the recovery of amounts owed on a previously completed contract.

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

Consolidated Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses increased 18.1% to $41.8 million in fiscal 2005 compared to $35.4 million in fiscal 2004. Approximately 33% of this increase is related to the business activities of S&I, acquired in July 2005. Commission expenses for sales representatives as well as direct sales expenses increased by approximately $1.7 million in fiscal 2005 compared to fiscal 2004 due to the concerted effort to increase revenues and backlog discussed above. Accounting and professional fees have increased by $1.5 million primarily due to costs incurred for Sarbanes-Oxley compliance and costs associated with on-going acquisition activities. These increases in selling, general and administrative costs were partially offset by one-time costs incurred in fiscal 2004 of approximately $0.4 million and reduced costs in 2005 resulting from the closing of certain manufacturing facilities. Additionally, research and development expenditures decreased to $2.8 million in fiscal 2005 from $3.5 million last year. Selling, general and administrative expenses have also increased due to the commensurate increase in revenue.

Interest Income and Expense

Interest expense increased by $0.6 million to $0.7 million in fiscal 2005. This increase is primarily related to interest on debt incurred in July 2005 related to our acquisition of S&I and interest payments to state taxing authorities.

We earned approximately $1.1 million of interest income in fiscal 2005 compared to approximately $0.9 million in fiscal 2004. Interest income increased primarily due to higher market interest rates in fiscal 2005 compared to fiscal 2004.

Provision for Income Taxes

Our provision for income taxes reflects an effective tax rate on earnings before income taxes of 33.0% in fiscal 2005 compared to a benefit of 20.7% in fiscal 2004.

During 2005 and 2004, we recorded several tax adjustments related to the following items:

a) A $0.4 million benefit was recorded for the years ended 2005 and 2004 primarily for the benefit of revised extraterritorial income exclusion amounts. This benefit was derived by calculating the extraterritorial income exclusion amount on a transaction by transaction basis in 2004 and 2003, as opposed to an aggregate basis as originally estimated;

b) A $0.3 million valuation allowance related to capital losses was released in 2004. We entered into an agreement in 2004 to sell a capital asset that will trigger enough capital gain to utilize the capital loss carryforward:

c) We reduced our income tax provision by $0.2 million in 2004 due to acceptance by certain state taxing authorities of voluntary disclosure agreements in 2004; and

d) We increased our income tax provision by $0.3 million in 2005 related to certain adjustments from audits of our prior year federal tax returns.

Net Income

In fiscal 2005, we generated net income of $2.3 million, or $0.21 per diluted share, compared to net income of $1.7 million, or $0.15 per diluted share, in fiscal 2004. Higher gross profits from our Process Control Systems business segment and S&I, our sale of land and building, partially offset by higher selling, general, and administrative expenses and interest expense have contributed to the overall increase in net income in fiscal 2005 compared to the prior year.

Backlog

The order backlog on October 31, 2005, was $259.0 million, compared to $134.3 million at fiscal year end 2004, an increase of 93%. Orders included in backlog are represented by customer purchase orders and contracts, which we believe to be firm. New orders placed during the year totaled $360.5 million compared to $182.9 million in fiscal 2004. A portion of the increase in backlog relates to a contract totaling approximately $51 million over a four-year period. This contract is with a municipal agency and production began in the first quarter of fiscal 2006.

Year Ended October 31, 2004, Compared with Year Ended October 31, 2003

Revenue and Gross Profit

Consolidated revenues decreased 19% to $206.1 million in fiscal 2004 compared to fiscal year 2003 revenues of $253.4 million. Domestic revenues decreased $36.5 million to $177.1 million in 2004 compared to 2003. Revenues outside of the United States accounted for 14% of consolidated revenues in fiscal 2004 compared to 16% in 2003.

Electrical Power Products

Our Electrical Power Products segment recorded revenues of $173.5 million in fiscal 2004 compared to $227.0 million in fiscal 2003. Customers had been reluctant to commit to new capital construction projects throughout fiscal 2004 due to economic uncertainty. However, we were able to expand revenues related to system modification and equipment replacement as customers looked for ways to extend the lives of existing systems. Overall, we experienced a decline in revenues in each of our major markets. Revenues from industrial customers were $98.0 million in 2004 compared to $125.0 million in 2003. Utility revenues were $59.0 million in 2004 compared to $79.0 million in 2003. Municipal and transit projects generated revenues of $17.0 million compared to $23.0 million in 2003.

Gross profit, as a percentage of revenues, decreased to 16.8% in fiscal 2004 from 18.8% in fiscal 2003. Fiscal 2004 costs of goods sold included one-time expenses of $1.8 million to consolidate our operations. Consolidation expenses included employee severance, training and equipment relocation costs. Inflationary pressures, primarily due to higher commodity prices in copper, aluminum and steel increased direct material expenses by approximately 4%, or $3.3 million, compared to fiscal 2003.

Both revenue and gross profit have been adversely impacted by competitive pricing in a depressed marketplace. Partially offsetting adverse market conditions have been the results of our efforts to reduce our production overhead costs by improving operating efficiencies through the implementation of lean initiatives.

Process Control Systems

Revenues in our Process Control Systems segment increased 24% to $32.7 million compared to $26.4 million in fiscal 2003. The increase in revenue was primarily attributed to our contract to design and build Intelligent Transportation Systems (ITS) for the Holland and Lincoln tunnels for the Port Authority of New York and New Jersey. This contract accounted for $14.3 million of segment revenues in fiscal 2004 and $4.2 million in fiscal 2003. At October 31, 2004, the remaining value associated with this project in backlog was $19.5 million, or 44% of segment backlog, which was expected to be recognized as revenue in 2005. Export revenue increased to $0.8 million in fiscal 2004 from $0.7 million in fiscal 2003.

Segment gross profit, as a percentage of revenues, was 21.0% in fiscal 2004, compared to 23.5% in fiscal year 2003. Gross profits as a percentage of revenues were reduced in 2004 due to the large amount of subcontract work and material pass-through purchases on the Holland and Lincoln tunnels contract which typically generates significantly lower profits compared to our other professional services.

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

Consolidated Selling, General and Administrative Expenses

Selling, general and administrative expenses were $35.4 million, or 17.2% of revenues, in fiscal 2004 compared to $35.3 million, or 13.9% of revenues, in fiscal 2003. In fiscal 2004, accounting and auditing fees increased $0.8 million compared to 2003, primarily attributable to Sarbanes-Oxley compliance efforts. One-time consolidation expenses of $0.4 million were incurred in fiscal 2004. These expenses were costs associated with actions to consolidate our operations and close certain facilities which represented excess capacity. The benefit of lower operating overheads should be realized beginning in 2005. Excluding the impact of these increases, selling, general and administrative expenses would have decreased consistent with revenues.

Research and development expenditures were $3.5 million in 2004 compared to $3.6 million in fiscal 2003. Our research efforts were directed toward the discovery and development of new products and processes, as well as improvements in existing products and processes. Research and development costs are included in selling, general and administrative expenses.

Interest Income and Expense

We incurred $0.1 million in interest expense in fiscal 2004 compared to $0.4 million in fiscal 2003. Interest expense was reduced by favorable interest rates and a decreased balance on our industrial revenue bond debt. Our industrial revenue bonds have scheduled payments of $0.4 million that become due each year in October. Additionally, in fiscal 2003, we incurred $0.2 million in interest expense on our term loan and the associated interest rate swap. In September 2003, we paid the remaining principal balance on our term loan, which reduced our interest expense.

We earned $0.9 million in interest income in fiscal 2004 compared to $0.6 million in the previous year. Interest income increased primarily due to higher levels of invested funds.

Provision for Income Taxes

Our income tax provision/(benefit) for fiscal 2004 and 2003 was ($0.3 million) and $6.1 million, and our effective tax rate was (21%) and 45%, respectively. During 2004, we recorded several tax adjustments related to the following items:

a) A $0.4 million benefit was recorded primarily for the benefit of revised extraterritorial income exclusion amounts for the years ended 2002 and 2003. This benefit was derived by calculating the extraterritorial income exclusion amount on a transaction by transaction basis in 2004, as opposed to an aggregate basis as originally estimated,

b) A $0.3 million valuation allowance related to capital losses was released in 2004. We entered into an agreement in 2004 to sell a capital asset that will trigger enough capital gain to utilize the capital loss carryforward, and

c) We reduced our income tax provision by $0.2 million in 2004 due to acceptance by certain state taxing authorities of voluntary disclosure agreements.

Without these adjustments, our 2004 effective tax rate would have been 40%.

Net Income

Net income was $1.7 million, or $0.15 per diluted share, in fiscal year 2004 compared to $7.0 million, or $0.65 per diluted share, in fiscal year 2003. The decrease in net income primarily related to lower business volume and decreased gross profits in fiscal 2004. Gross profits declined as a result of one-time consolidation costs, inflationary pressures on materials costs, and depressed market price levels. Partially offsetting lower gross profits were higher interest income and a net income tax benefit.

In fiscal 2003, net income was negatively impacted as a result of our adoption of Statement of Financial Accounting Standards (“SFAS”) No. 142, *“Goodwill and Other Intangible Assets.”* During the first quarter of fiscal 2003, we recorded a goodwill impairment loss of $0.5 million as a cumulative effect of a change in accounting principle. The goodwill impairment charge accounted for a loss of $0.05 per diluted share in 2003.

Liquidity and Capital Resources

We have maintained a positive liquidity position. Working capital was $103.4 million at October 31, 2005, compared to $99.3 million at October 31, 2004. As of October 31, 2005, current assets exceeded current liabilities by 2.8 times and our debt to total capitalization ratio was 13.05%.

At October 31, 2005, we had cash, cash equivalents and marketable securities of $33.0 million, compared to $63.2 million at October 31, 2004. Long-term debt and capital lease obligations, including current maturities, totaled $21.5 million at October 31, 2005, compared to $7.1 million at October 31, 2004. In addition to our long-term debt, we have a $22 million revolving credit agreement in support of our U.S. debt requirements and an additional £4 million (approximately $7.0 million) revolving credit agreement in the United Kingdom, both of which expire June 2008. As of October 31, 2005, there was approximately

$4.3 million borrowed under these lines of credit. For further information regarding our debt, see Note H of Notes to Consolidated Financial Statements.

Operating Activities

During fiscal 2005, cash used in operating activities was $21.2 million, compared to cash provided by operations of $24.9 million and $36.7 million during 2004 and 2003, respectively. This reduction in cash was principally used to fund the growth in accounts receivable, inventories and costs related to uncompleted contracts which have not been billed. This use of cash has resulted from the need for increased levels of working capital needed to support increased levels of business activity. During fiscal 2004 and 2003, operating activities provided net cash of $24.9 million and $36.7 million, respectively, of which $19.9 million and $22.5 million, respectively, resulted from a reduction in operating assets and liabilities with the remainder of the increase related to net earnings adjusted for depreciation, amortization, and other noncash expenses. Lower levels of business activity in 2004 and 2003 resulted in lower levels of working capital required to support operating needs.

Investing Activities

Investments in property, plant and equipment during fiscal 2005 totaled $6.1 million compared to $6.5 million and $4.5 million in fiscal 2004 and 2003, respectively. The majority of our 2005 capital investments were used to improve our capabilities to manufacture switchgear and electrical power control rooms as well as initial investments in a new ERP system. We have committed to capital projects totaling $5.3 million to acquire and implement an ERP system at our domestic Electrical Power Products operations. As of the end of fiscal 2005, we have incurred costs of $2.5 million on this project. We expect to incur the balance during 2006. In 2005, investing activities included costs of $19.2 million for the acquisition of S&I. During 2004 and 2003, the majority of our capital expenditures were used to increase our manufacturing capabilities to produce switchgear, electrical power control and power control modules.

Proceeds from the sale of fixed assets provided cash of $0.9 million and $1.8 million in fiscal 2005 and 2004, respectively, primarily from the sale of idled manufacturing facilities. In fiscal 2005, we sold property located in Greenville, Texas, which was idled in 2004; and in fiscal 2004, we sold property located in Franklin Park, Illinois, which was idled in 2002.

Net proceeds from the sale and purchase of marketable securities were $46.0 million in fiscal 2005 compared to cash used to purchase marketable securities of $22.6 million in 2004. Marketable securities were sold to finance working capital requirements of the business in fiscal 2005. During 2003, net cash of $25.7 million was used to purchase various types of marketable securities as a result of positive operating cash flow in 2003.

Financing Activities

Net cash provided by financing activities was $15.4 million in fiscal 2005 compared to net cash provided of $0.6 million and net cash used of $4.0 million in 2004 and 2003, respectively. The primary source of cash from financing activities was proceeds from borrowings of $10.6 million under the term loan associated with our acquisition and proceeds from the exercise of stock options. The primary source of cash from financing in fiscal 2004 was from the exercise of stock options. In September 2003, we paid the remaining principal balance on an existing term loan. The repayment of this loan was the primary use of cash for financing activities in fiscal 2003.

Contractual Obligations

At October 31, 2005, our long-term contractual obligations were limited to debt and leases. The table below details our commitments by type of obligation, including interest if applicable, and the period that the payment will become due (in thousands).

	Long-term Debt Obligations	Capital Lease Obligations	Operating Lease Obligations	Total
As of October 31, 2005, payments due by period:				
Less than 1 year	$ 3,132	$ 40	$ 1,973	$ 5,145
1 to 3 years	14,016	119	2,852	16,987
3 to 5 years	3,883	9	700	4,592
More than 5 years	4,735	—	—	4,735
Total long-term contractual obligations	$ 25,766	$ 168	$ 5,525	$ 31,459

Other Commercial Commitments

The following table reflects other commercial commitments or potential cash outflows that may result from a contingent event (in thousands).

	Letters of Credit
As of October 31, 2005 payments due by period:	
Less than 1 year	$ 9,054
1 to 3 years	3,562
3 to 5 years	—
More than 5 years	—
Total long-term commercial obligations	$ 12,616

We are contingently liable for secured and unsecured letters of credit of $12.6 million as of October 31, 2005, of which $12.2 million reduces our borrowing capacity. We also had performance bonds totaling approximately $176.5 million that were outstanding at October 31, 2005. Performance bonds are used to guarantee contract performance to our customers.

Outlook for Fiscal 2006

We expect the recent improvement in our principal markets to continue into 2006. Customer inquiries, or requests for proposals, steadily strengthened during the second half of fiscal 2004 which led to a strengthening in new orders in fiscal 2005. One of the positive trends we have experienced is an increase in new order activity. Orders received during the second half of fiscal 2005 totaled $226.8 million versus $104.5 million in the same period a year ago. We currently anticipate that this higher level of business activity will continue into fiscal 2006.

In our Electrical Power Products segment, third and fourth quarter orders increased both sequentially and year over year. In addition, we will benefit from a full year of revenue and earnings contribution from our acquisition of S&I. Although our Process Controls Systems segment continues to experience soft market conditions, we anticipate that increased funding for municipal projects will be available as general economic conditions strengthen. We believe we will be well positioned to take advantage of improving economic conditions.

We anticipate that we will continue to reinvest a portion of our cash generated from operations into working capital in fiscal 2006. Working capital needs are anticipated to increase with growing levels of business activity. We believe that working capital, borrowing capabilities, and funds generated from operations will be sufficient to finance anticipated operational activities, capital improvements, debt repayment and possible future acquisitions for the foreseeable future. Any strategic acquisition of a new business(es) or product line(s) could require additional borrowings.

Effects of Inflation

The pace of new orders significantly strengthened as 2005 progressed and we ended the year with an order rate that we have not experienced since 2002. We anticipate that these conditions will continue into 2006. This is a marked improvement over 2003 and 2004 in which we experienced a significant deterioration in business volume due to the effects of the U.S. economy on our markets and customers. During those years, new investments in infrastructure projects were curtailed in both our utility and industrial market segments, and our municipal customers faced a reduced tax base with which to fund infrastructure projects. Beginning in 2004, there were indications of an improving U.S. economy, and new business inquiry levels strengthened throughout 2005.

We have experienced significant price pressures with our key raw materials, primarily copper, aluminum and steel since the U.S. economy began to show signs of improvement in 2004. Competitive market pressures limited our ability to pass these cost increases to our customers. These competing pressures eroded our earnings in 2004 and 2005. We anticipate that these inflationary pressures will continue to adversely impact our operations in 2006.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. We believe the following accounting policies and estimates to be critical in the preparation and reporting of our consolidated financial statements.

Revenue Recognition

Our revenues are primarily generated from engineering and manufacturing of custom products under long-term contracts that may last from one month to several years, depending on the contract. Revenues from long-term contracts are recognized on the percentage-of-completion method of accounting as provided by the American Institute for Certified Public Accountants Statement of Position 81-1, *“Accounting for Performance of Construction-Type and Certain Production-Type Contracts,”* (“SOP 81-1”).

Under the percentage-of-completion method of accounting, revenues are recognized as work is performed based on the estimated completion to date calculated by multiplying the total contract price by percentage of performance to date, based on total labor dollars or hours incurred to date to the total estimated labor dollars or hours estimated at completion. Application of the percentage-of-completion method of accounting requires the use of estimates of costs to be incurred for the performance of the contract. Contract costs include all direct material, direct labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and all costs associated with operation of equipment (excluding depreciation). The cost estimation process is based upon the professional knowledge and experience of the Company’s engineers, project managers, and financial professionals. Factors that are considered in estimating the work to be completed and ultimate contract recovery include the availability and productivity of labor, the nature and complexity of the work to be performed, the effect of change orders, the availability of materials, the effect of any delays in performance and the recoverability of any claims. Changes in job performance, job conditions, estimated profitability, and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. Whenever revisions of estimated contract costs and contract values indicate that the contract costs will exceed estimated revenues, thus creating a loss, a provision for the total estimated loss is recorded in that period.

Revenues associated with maintenance, repair and service contracts are recognized when the services are performed in accordance with Staff Accounting Bulletin No. 104, *"Revenue Recognition, Revised and Updated."* Expenses related to these types of services are recognized as incurred.

Allowance for Doubtful Accounts

We maintain and continually assess the adequacy of an allowance for doubtful accounts representing our estimate for losses resulting from the inability of our customers to pay amounts due to us. This estimated allowance is based on historical experience of uncollected accounts, the level of past due accounts, the overall level of outstanding accounts receivable, information about specific customers with respect to their inability to make payments and expectations of future conditions that could impact the collectibility of accounts receivable. However, future changes in our customers' operating performance and cash flows or in general economic conditions could have an impact on their ability to fully pay these amounts, which could have a material impact on our operating results.

Impairment of Long-Lived Assets

We have significant investments in long-lived assets, including property and equipment and goodwill. We evaluate the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable. We also evaluate potential impairment of goodwill on an annual basis. The review for impairment of long-lived assets and goodwill takes into account estimates of future cash flows. Our estimates of future cash flows are based upon budgets and longer-range plans. These budgets and plans are used for internal purposes and are also the basis for communication with outside parties about future business trends. While we believe the assumptions we use to estimate future cash flows are reasonable, there can be no assurance that the expected future cash flows will be realized. As a result, impairment charges that possibly should have been recognized in earlier periods may not be recognized until later periods if actual cash flows deviate unfavorably from earlier estimates. For assets held for sale or disposal, the fair value of the asset is measured using quoted market prices or an estimation of net realizable value. Based on general economic conditions and conditions specific to our industry, the ultimate amounts realized on assets held for sale may differ materially from their currently estimated realizable values.

Accruals for Contingent Liabilities

From time to time, contingencies, such as insurance and legal claims, arise in the normal course of business. Pursuant to current accounting standards, we must evaluate such contingencies to subjectively determine the likelihood that an asset has been impaired or a liability has been incurred at the date of the financial statements, as well as evaluating whether the amount of the loss can be reasonably estimated. If the likelihood is determined to be probable and it can be reasonably estimated, the estimated loss is recorded. The amounts we record for insurance claims, warranties, legal and other contingent liabilities require judgments regarding the amount of expenses that will ultimately be incurred. We use past experience and history, as well as the specific circumstances surrounding each contingent liability, in evaluating the amount of liability that should be recorded. Actual results could differ from our estimates.

Accounting for Income Taxes

We account for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Developing our provision for income taxes requires significant judgment and expertise in federal and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets. We have not recorded any other valuation allowances as of October 31, 2005 because we believe that future taxable income will, more likely than not, be sufficient to realize the benefits of those assets as the temporary differences in basis reverse over time. Our judgments and tax strategies are subject to audit by various taxing authorities.

Foreign Currency Translation

The functional currency for our foreign subsidiaries is the local currency in which the entity is located. The financial statements of all subsidiaries with a functional currency other than the U.S. Dollar have been translated into U.S. Dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, *"Foreign Currency Translation."* All assets and liabilities of foreign operations are translated into U.S. Dollars using year-end exchange rates, and all revenues and expenses are translated at average rates during the respective period. The U.S. Dollar results that arise from such translation, as well as exchange gains and losses on intercompany balances of a long-term investment nature, are included in the cumulative currency translation adjustments in accumulated other comprehensive income in stockholders' equity.

Hedging Activities

SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* as amended and interpreted, requires that each derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or a liability and measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized currently in earnings in either income (loss) from continuing operations or accumulated other comprehensive income (loss), depending on whether the derivative qualifies for hedge accounting treatment.

On July 14, 2005, we entered into a forward foreign exchange contract with a notional amount of 2.1 million Canadian Dollars maturing on December 23, 2005. This foreign currency derivative qualifies for and is classified as a fair value hedge. The purpose of our foreign currency hedging activities is to protect us from the risk that the eventual cash flows resulting from transactions in foreign currencies will be adversely affected by changes in exchange rates. Changes in fair values of outstanding fair value hedge derivatives that are effective are recorded in other comprehensive income, until net income is affected by the variability of cash flows of the hedged transaction. In most cases, amounts recorded in other comprehensive income will be released to net income sometime after the maturity of the related derivative. Gains and losses on these contracts are deferred and recognized as adjustments to either the basis of those assets or foreign exchange gains/losses, as applicable. At October 31, 2005, the fair value of the forward swap contract resulted in an unrealized loss of approximately $44,000. This contract matured on December 23, 2005, resulting in a realized foreign exchange loss of $65,000.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004), *"Share-Based Payment"* ("123(R)"), which is a revision of SFAS No. 123, *"Accounting for Stock Based Compensation"* which requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in their consolidated financial statements. The provisions of SFAS No. 123(R) are effective for the first annual reporting period that begins after June 15, 2005. We will adopt this standard at the beginning of fiscal 2006 and will elect the modified-prospective transition method. Under the modified-prospective method, awards that are granted, modified, repurchased or canceled after the date of adoption should be measured and accounted for in accordance with SFAS No. 123(R). Awards that are granted prior to the effective date should continue to be accounted for in accordance with SFAS No. 123, except that stock option expense for unvested options must be recognized in the income statement. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on, among other things, levels of share-based payments granted in the future, the market value of our common stock as well as assumptions regarding a number of complex variables. These variables include, but are not limited to, our stock price, volatility, and employee stock option exercise behaviors and the related tax impact. However, had we adopted SFAS No. 123(R) in prior periods, we believe the impact of that standard would have approximated the impact of SFAS No. 123 as described in the section in Note D to the Notes to Consolidated Financial Statements titled *"Stock-Based Compensation"* disclosure of pro forma net income and earnings per share.

Item 7A. ***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

We are subject to market risk resulting from changes in interest rates related to our outstanding debt and investments in marketable debt securities. Regarding our various debt instruments outstanding at October 31, 2005, a 100 basis point increase in interest rates would result in a total annual increase in interest expense of approximately $200,000. Our investments in marketable debt securities are carried at fair value on the consolidated balance sheet, with unrealized gains and losses reported in other comprehensive income. Changes in interest rates will affect the fair value of the marketable securities as reported. 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. Overall, we believe that changes in interest rates will not have a material near-term impact on our future earnings or cash flows. 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

Amounts invested in our foreign operations are translated into U.S. Dollars at the exchange rate in effect at the end of the fiscal year. The resulting translation adjustments are recorded as accumulated other comprehensive income, 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. Additionally, expenses associated with these transactions are generally contracted and paid for in the same local currencies.

On July 14, 2005, we entered into a forward foreign exchange contract with a notional amount of 2.1 million Canadian Dollars to mature on December 23, 2005. This foreign currency derivative qualifies for and is classified as a foreign currency fair value hedge. The purpose of our foreign currency hedging activities is to protect us from the risk that the eventual cash flows resulting from transactions in foreign currencies will be adversely affected by changes in exchange rates. Changes in fair values of outstanding fair value hedge derivatives that are highly effective are recorded in other comprehensive income, until net income is affected by the variability of cash flows of the hedged transaction. In most cases, amounts recorded in other comprehensive income will be released to net income sometime after the maturity of the related derivative. Gains and losses on these contracts are deferred and recognized as adjustments to either the basis of those assets or foreign exchange gains/ losses, as applicable. At October 31, 2005, the fair value of the forward swap contract resulted in an unrealized loss of approximately $44,000. This contract matured on December 23, 2005 resulting in a realized foreign exchange loss of approximately $65,000.

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 profit margin erosion. While we may do so in the future, we have not entered into any derivative contracts to hedge our exposure to commodity risk in fiscal 2005. We continue to experience price increases with some of our key raw materials. Competitive market pressures limited our ability to pass these cost increases to our customers, thus eroding our earnings in fiscal 2005. Fluctuations in commodity prices may have a material near-term effect on our future earnings and cash flows.

Item 8. ***Financial Statements and Supplementary Data***

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Powell Industries, Inc.:

We have completed an integrated audit of Powell Industries, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of October 31, 2005 and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Powell Industries, Inc. and its subsidiaries at October 31, 2005 and 2004, and the results of their operations and their cash flows for years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of October 31, 2005 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Switchgear & Instrumentation Limited and Switchgear & Instrumentation Properties Limited from its assessment of internal control over financial reporting as of October 31, 2005 because it was acquired by the Company in a purchase business combination during the year ended October 31, 2005. We have also excluded Switchgear & Instrumentation Limited and Switchgear & Instrumentation Properties Limited from our audit of internal control over financial reporting. Switchgear & Instrumentation Limited and Switchgear & Instrumentation Properties Limited are wholly-owned subsidiaries whose total revenues and total assets represent 8% and 15%, respectively, of the related consolidated financial statement amounts as of and for the year ended October 31, 2005.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
January 13, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Powell Industries, Inc.:

We have audited the accompanying consolidated statements of operations, stockholders' equity, and cash flows of Powell Industries, Inc. and subsidiaries (the "Company") for the year ended October 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2003 consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended October 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Houston, Texas
December 19, 2003
(January 31, 2005 as to
the lease expense included in Note K)

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	Years Ended October 31, 2005	Years Ended October 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 24,844	$ 8,974
Marketable securities	8,200	54,208
Accounts receivable, less allowance for doubtful accounts of $567 and $617, respectively	65,385	42,659
Costs and estimated earnings in excess of billings on uncompleted contracts	35,328	19,822
Inventories, net	21,616	15,332
Income taxes receivable	507	1,179
Deferred income taxes	1,836	729
Prepaid expenses and other current assets	4,461	2,717
Total Current Assets	162,177	145,620
Property, plant and equipment, net	55,678	45,041
Goodwill	203	203
Intangible assets, net	3,505	274
Other assets	5,096	4,941
Total Assets	$ 226,659	$ 196,079
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 2,095	$ 474
Income taxes payable	1,185	1,358
Accounts payable	22,104	14,239
Accrued salaries, bonuses and commissions	9,820	7,964
Billings in excess of costs and estimated earnings on uncompleted contracts	15,742	15,174
Accrued product warranty	1,836	1,545
Other accrued expenses	5,957	5,596
Total Current Liabilities	58,739	46,350
Long-term debt and capital lease obligations, net of current maturities	19,436	6,626
Deferred compensation	1,918	1,744
Other liabilities	1,871	1,306
Total Liabilities	81,964	56,026
Commitments and Contingencies (Note K)		
Minority Interest	281	218
Stockholders' Equity:		
Preferred stock, par value $.01; 5,000,000 shares authorized; none issued	—	—
Common stock, par value $.01; 30,000,000 shares authorized; 11,001,733 and 10,999,733 shares issued, respectively; 10,849,278 and 10,730,134 shares outstanding, respectively	110	110
Additional paid-in capital	10,252	9,433
Retained earnings	136,670	134,419
Treasury stock, 152,455 and 269,599 shares respectively, at cost	(1,417)	(2,514)
Accumulated other comprehensive income (loss)	(11)	54
Deferred compensation	(1,190)	(1,667)
Total Stockholders' Equity	144,414	139,835
Total Liabilities and Stockholders' Equity	$ 226,659	$ 196,079

The accompanying notes are an integral part of these Consolidated Financial Statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years Ended October 31, 2005	2004	2003
Revenues	$ 256,645	$ 206,142	$ 253,381
Cost of goods sold	212,785	170,165	204,585
Gross profit	43,860	35,977	48,796
Selling, general and administrative expenses	41,846	35,357	35,339
Gain on sale of land and building	(1,052)	—	—
Income before interest, income taxes, minority interest and cumulative effect of change in accounting principle	3,066	620	13,457
Interest expense	721	136	403
Interest income	(1,107)	(880)	(578)
Income from continuing operations before income taxes, minority interest and cumulative effect of change in accounting principle	3,452	1,364	13,632
Income tax provision (benefit)	1,138	(282)	6,137
Minority interest in net income (loss)	63	(23)	—
Income from continuing operations before cumulative effect of change in accounting principle	2,251	1,669	7,495
Cumulative effect of change in accounting principle, net of tax	—	—	(510)
Net income	$ 2,251	$ 1,669	$ 6,985
Net earnings per common share:			
Basic:			
Earnings from continuing operations	$ 0.21	$ 0.16	$ 0.71
Cumulative effect of change in accounting principle	—	—	(0.05)
Net earnings	$ 0.21	$ 0.16	$ 0.66
Diluted:			
Earnings from continuing operations	$ 0.21	$ 0.15	$ 0.70
Cumulative effect of change in accounting principle	—	—	(0.05)
Net earnings	$ 0.21	$ 0.15	$ 0.65
Weighted average shares:			
Basic	10,779	10,688	10,591
Diluted	10,928	10,774	10,681

The accompanying notes are an integral part of these Consolidated Financial Statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Other Comprehensive Income	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Total
Balance, October 31, 2002		10,979	$ 110	$ 8,345	$ 125,765	$ (3,925)	$ (87)	$ (2,108)	$ 128,100
Net income	$ 6,985				6,985				6,985
Amortization of deferred compensation-ESOP								277	277
Change in value of interest rate swap, net of $49 income taxes	87						87		87
Change in value of marketable securities, net of $64 income taxes	(118)						(118)		(118)
Exercise of stock options				131		510			641
Income tax benefit from stock options exercised				119					119
Issuance of stock		15		366		103		(196)	273
Comprehensive Income	$ 6,954								
Balance, October 31, 2003		10,994	110	8,961	132,750	(3,312)	(118)	(2,027)	136,364
Net income	$ 1,669				1,669				1,669
Foreign currency translation adjustments	17						17		17
Change in value of marketable securities, net of $85 income taxes	155						155		155
Amortization of deferred compensation-ESOP								297	297
Exercise of stock options				240		798			1,038
Income tax benefit from stock options exercised				157					157
Amortization of restricted stock								63	63
Issuance of stock		6		75					75
Comprehensive Income	$ 1,841								
Balance, October 31, 2004		11,000	110	9,433	134,419	(2,514)	54	(1,667)	139,835
Net income	$ 2,251				2,251				2,251
Foreign currency translation adjustments	5						5		5
Change in value of marketable securities, net of $9 income taxes	(26)						(26)		(26)
Amortization of deferred compensation-ESOP								317	317
Exercise of stock options				433		1,097			1,530
Unrealized loss on fair value hedge	(44)						(44)		(44)
Income tax benefit from stock options exercised				354					354
Amortization of restricted stock								160	160
Issuance of stock		2		32					32
Comprehensive Income	$ 2,186								
Balance, October 31, 2005		11,002	$ 110	$ 10,252	$ 136,670	$ (1,417)	$ (11)	$ (1,190)	$ 144,414

The accompanying notes are an integral part of these Consolidated Financial Statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended October 31, 2005	2004	2003
Operating Activities:			
Net income	$ 2,251	$ 1,669	$ 6,985
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Cumulative effect of change in accounting principle, net of tax	—	—	510
Depreciation and amortization	5,266	4,469	5,155
Amortization of unearned restricted stock	159	64	119
Minority interest earnings (loss)	63	(23)	—
(Gain) loss on disposition of assets	(935)	(184)	75
Loss on impairment of assets	—	535	382
Net realized gain on sale of available-for-sale securities	(28)	—	—
Tax benefit from exercise of stock options	353	156	119
Deferred income taxes	(207)	(1,718)	823
Changes in operating assets and liabilities:			
Accounts receivable, net	(17,979)	2,620	24,256
Costs and estimated earnings in excess of billings on uncompleted contracts	(10,998)	12,353	654
Inventories	(2,525)	2,193	1,498
Prepaid expenses and other current assets	(37)	(728)	(147)
Other assets	(137)	72	(442)
Accounts payable and income taxes payable	1,722	(860)	551
Accrued liabilities	2,173	1,663	(4,503)
Billings in excess of costs and estimated earnings on uncompleted contracts	(877)	1,958	(262)
Deferred compensation	506	491	364
Other liabilities	41	178	568
Net cash provided by (used in) operating activities	(21,189)	24,908	36,705
Investing Activities:			
Proceeds from sale of fixed assets	879	1,766	—
Proceeds from maturities and sales of available-for-sale securities	3,817	2,773	—
Purchases of property, plant and equipment	(6,108)	(6,472)	(4,541)
Purchase of additional interest in consolidated subsidiary	—	(66)	—
Proceeds from sale of short-term auction rate securities	48,569	31,225	13,550
Purchases of short-term auction rate securities	(6,350)	(56,585)	(33,475)
Purchases of marketable securities	—	(1,018)	(5,763)
Acquisition of S&I	(19,167)	—	—
Net cash provided by (used in) investing activities	21,640	(28,377)	(30,229)
Financing Activities:			
Borrowings on revolving line of credit	9,579	516	—
Repayments on revolving line of credit	(9,579)	(516)	—
Borrowings on long-term debt and capital lease obligations	4,260	—	103
Borrowings on term loan	10,598	—	—
Repayments of long-term debt and capital lease obligations	(474)	(458)	(4,754)
Debt issuance costs	(501)	—	—
Proceeds from issuance of stock	—	—	154
Proceeds from exercise of stock options	1,530	1,038	522
Net cash provided by (used in) financing activities	15,413	580	(3,975)
Net increase (decrease) in cash and cash equivalents	15,864	(2,889)	2,501
Effect of exchange rate changes on cash and cash equivalents	6	—	—
Cash and cash equivalents at beginning of year	8,974	11,863	9,362
Cash and cash equivalents at end of year	$ 24,844	$ 8,974	$ 11,863

The accompanying notes are an integral part of these Consolidated Financial Statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Business and Organization

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

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 and Switchgear & Instrumentation Properties Limited.

On July 4, 2005, we acquired selected assets and assumed certain operating liabilities and contracts of Switchgear & Instrumentation Limited in the United Kingdom. We refer to the acquired business herein as "S&I." The operating results of S&I are included from this date.

B. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Powell Industries, Inc. and its wholly owned subsidiaries. The financial position and results of operation of our Singapore joint venture, in which we acquired a majority ownership on August 1, 2004, have been consolidated since August 1, 2004. As a result of this consolidation, we recorded minority interest on our balance sheet for our joint venture partner's share of equity. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying footnotes. The amounts we record for insurance claims, warranties, legal 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. The most significant estimates used in the Company's financial statements affect revenue and cost recognition for construction contracts, the allowance for doubtful accounts, self-insurance, warranty accruals, and postretirement benefit obligations.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits with banks and highly liquid investments with original maturities of three months or less.

Supplemental Disclosures of Cash Flow Information

	Years Ended October 31,		
	2005	2004	2003
Cash paid (received) during the period for:			
Interest	$ 567	$ 134	$ 423
Income taxes	(267)	1,930	5,252
Non-cash investing and financing activities:			
Change in fair value of interest rate swap, net of $0, $0 and $49 income taxes, respectively	—	—	87
Change in fair value of marketable securities, net of $9, $85 and $64 income taxes, respectively	26	207	(118)
Issuance of common stock for deferred directors’ fees	15	75	—
Assets acquired under capital lease obligations	—	200	—
Unrealized loss on forward contracts	(44)	—	—
Unrealized foreign currency gain/(loss)	4	—	—
Accrued property, plant and equipment additions	156	—	—
Note receivable from sale of property	1,350	—	—
Receivable for options exercised	$ 17	$ —	$ —

Marketable Securities

Marketable securities consist of variable rate money market accounts that are classified as available-for-sale. These investments are carried at fair value. The maturity dates of these investments as of October 31, 2005 range from 18 to 25 years.

Fair Value of Financial Instruments

Financial instruments include short-term investments, marketable securities and debt obligations. Due to the short-term nature of the investments, the book value is representative of their fair value. The carrying value of debt approximates fair value as interest rates are indexed to LIBOR or the bank’s prime rate.

Accounts Receivable and Market Risk

Accounts receivable are stated net of allowances for doubtful accounts. We maintain and continually assess the adequacy of the allowance for doubtful accounts representing our estimate for losses resulting from the inability of our customers to pay amounts due to us. This estimated allowance is based on historical experience of uncollected accounts, the level of past due accounts, the overall level of outstanding accounts receivable, information about specific customers with respect to their inability to make payments and expectations of future conditions that could impact the collectibility of accounts receivable. Future changes in our customers’ operating performance and cash flows or in general economic conditions could have an impact on their ability to fully pay these amounts, which could have a material impact on our operating results. In most cases, receivables are not collateralized. However, we utilize letters of credit to secure payment on sales when possible. At October 31, 2005 and 2004, accounts receivable included retention amounts of $5.4 million and $7.5 million, respectively. Retention amounts are in accordance with applicable provisions of engineering and construction contracts and become due upon completion of contractual requirements. Approximately $0.5 million of the retained amount at October 31, 2005, is expected to be collected subsequent to October 31, 2006. No customers accounted for 10% or more of our consolidated accounts receivable balances as of fiscal year ends 2005 and 2004.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts

Costs and estimated earnings in excess of billings on uncompleted contracts arise when revenues are recorded on a percentage-of-completion basis but cannot be invoiced under the terms of the contract. Such amounts are invoiced upon completion of contractual milestones.

Costs and estimated earnings in excess of billings on uncompleted contracts also include certain costs associated with unapproved change orders. These costs are included when change order approval is probable. Amounts are carried at the lower of cost or net realizable value. No profit is recognized on costs incurred until change order approval is obtained. We also include claims for extra work or changes in scope of work to the extent of costs incurred in contract revenues when we believe collection is probable. The amounts recorded involve the use of judgments and estimates; thus, actual recoverable amounts could differ from original assumptions. See Note K — Commitments and Contingencies for a discussion related to certain costs recorded in costs and estimated earnings in excess of billings.

In accordance with industry practice, assets and liabilities related to costs and estimated earnings in excess of billings on uncompleted contracts, as well as billings in excess of costs and estimated earnings on uncompleted contracts, have been classified as current. The contract cycle for certain long-term contracts may extend beyond one year, thus collection of amounts related to these contracts may extend beyond one year.

Inventories

Inventories are stated at the lower of cost or market using first-in, first-out (FIFO) or weighted-average methods and include the cost of material, labor and manufacturing overhead. We use estimates in determining the level of reserves required to state inventory at the lower of cost or market. Our estimates are based on market activity levels, production requirements, the physical condition of products and technological innovation. Changes in any of these factors may result in adjustments to the carrying value of inventory.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and improvements which extend the useful lives of existing equipment are capitalized and depreciated. Upon retirement or disposition of property, plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the Consolidated Statement of Operations.

We also own one idle facility which is held for sale. As this property is held for sale, the $0.8 million of related net book value is included in other current assets at October 31, 2005.

Impairment of Long-Lived Assets

We evaluate the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable. The review for impairment of long-lived assets and goodwill takes into account estimates of future cash flows. Our estimates of future cash flows are based upon budgets and longer-range plans. These budgets and plans are used for internal purposes and are also the basis for communication with outside parties about future business trends. While we believe the assumptions we use to estimate future cash flows are reasonable, there can be no assurance that the expected future cash flows will be realized. As a result, impairment charges that possibly should have been recognized in earlier periods may not be recognized until later periods if actual cash flows deviate unfavorably from earlier estimates. For assets held for sale or disposal, the fair value of the asset is measured using quoted market prices or an estimation of net realizable value. Based on general economic conditions and conditions specific to our industry, the ultimate amounts realized on assets held for sale may differ materially from their currently estimated realizable values.

Intangible Assets

We account for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *"Goodwill and Other Intangible Assets."* This statement requires that goodwill and other intangible assets with indefinite useful lives are no longer amortized but instead requires a test for impairment to be performed annually, or immediately if conditions indicate that impairment could exist. Intangible assets with definite useful lives are amortized over their estimated useful lives. For additional information regarding our intangible assets, see Note J.

Income Taxes

We account for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Developing our provision for income taxes requires significant judgment and expertise in federal and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets. We have not recorded any other valuation allowances as of October 31, 2005 because we believe that future taxable income will, more likely than not, be sufficient to realize the benefits of those assets as the temporary differences in basis reverse over time. Our judgments and tax strategies are subject to audit by various taxing authorities.

Revenue Recognition

Our revenues are primarily generated from engineering and manufacturing of custom products under long-term contracts that may last from one month to several years depending on the contract. Revenues from long-term contracts are recognized on the percentage-of-completion method of accounting as provided by the American Institute for Certified Public Accountants Statement of Position 81-1, *"Accounting for Performance of Construction-Type and Certain Production-Type Contracts,"* ("SOP 81-1").

Under the percentage-of-completion method of accounting, revenues are recognized as work is performed based on the estimated completion to date calculated by multiplying the total contract price by percentage of performance to date, based on total labor dollars or hours incurred to date to the total estimated labor dollars or hours estimated at completion. Application of the percentage-of-completion method of accounting requires the use of estimates of costs to be incurred for the performance of the contract. Contract costs include all direct material, direct labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and all costs associated with operation of equipment (excluding depreciation). The cost estimation process is based upon the professional knowledge and experience of the Company's engineers, project managers, and financial professionals. Factors that are considered in estimating the work to be completed and ultimate contract recovery include the availability and productivity of labor, the nature and complexity of the work to be performed, the effect of change orders, the availability of materials, the effect of any delays in performance and the recoverability of any claims. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. Whenever revisions of estimated contract costs and contract values indicate that the contract costs will exceed estimated revenues, thus creating a loss, a provision for the total estimated loss is recorded in that period.

Revenues associated with maintenance, repair and service contracts are recognized when the services are performed in accordance with Staff Accounting Bulletin No. 104, *"Revenue Recognition, Revised and Updated."* Expenses related to these types of services are recognized as incurred.

Warranties

We provide for estimated warranty costs at the time of sale based upon historical rates applicable to individual product lines. In addition, specific provisions are made when the costs of such warranties are expected to exceed accruals. Our standard terms and conditions of sale include a warranty for parts and service for the earlier of 18 months from the date of shipment or 12 months from the date of initial operations.

Research and Development Expense

Research and development costs are charged to expense as incurred. These costs are included as a component of selling, general and administrative expenses on the consolidated statements of operations. Such amounts were $2.8 million, $3.5 million, and $3.6 million in fiscal years 2005, 2004 and 2003, respectively.

Foreign Currency Translation

The functional currency for the company's foreign subsidiaries is the local currency in which the entity is located. The financial statements of all subsidiaries with a functional currency other than the U.S. Dollar have been translated into U.S. Dollars in accordance with Statement of Financial Accounting Standards No. 52, *"Foreign Currency Translation."* All assets and liabilities of foreign operations are translated into U.S. Dollars using year-end exchange rates and all revenues and expenses are translated at average rates during the respective period. The U.S. Dollar results that arise from such translation, as well as exchange gains and losses on intercompany balances of a long-term investment nature, are included in the cumulative currency translation adjustments in accumulated other comprehensive income in stockholders' equity.

Stock-Based Compensation

In accordance with the provisions of SFAS No. 123, *"Accounting for Stock-Based Compensation,"* we have elected to account for our stock-based employee compensation plans under the intrinsic value method established by Accounting Principles Board ("APB") Opinion No. 25, *"Accounting for Stock Issued to Employees."* Under APB No. 25, no compensation expense is recorded when the exercise price of the employee stock option is greater than or equal to the market price of the common stock on the grant date.

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R) which requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in the Company's consolidated financial statements. The provisions of SFAS No. 123(R) are effective for the first annual reporting period that begins after June 15, 2005. The Company will adopt this standard at the beginning of fiscal 2006 and will elect the modified-prospective transition method. Under the modified-prospective method, awards that are granted, modified, repurchased or canceled after the date of adoption should be measured and accounted for in accordance with SFAS No. 123(R). Awards that are granted prior to the effective date should continue to be accounted for in accordance with SFAS No. 123 except that stock option expense for unvested options must be recognized in the income statement. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on, among other things, levels of share-based payments granted in the future, the market value of the Company's common stock as well as assumptions regarding a number of complex variables. These variables include, but are not limited to, the Company's stock price, volatility, and employee stock option exercise behaviors and the related tax impact. However, had the Company adopted SFAS No. 123(R) in prior periods, the Company believes the impact of that standard would have approximated the impact of SFAS No. 123 as described in the above *"Stock-Based Employee Compensation"* disclosure of pro forma net income and earnings per share.

If compensation expense for our stock option plans had been determined based on an estimate of the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, our net income and earnings per share would have been as follows:

	Years Ended October 31, 2005	2004	2003
Net income, as reported	$ 2,251	$ 1,669	$ 6,985
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(792)	(802)	(745)
Pro forma net income	$ 1,459	$ 867	$ 6,240
Basic earnings per share:			
As reported	$ 0.21	$ 0.16	$ 0.66
Pro forma	$ 0.14	$ 0.08	$ 0.59
Diluted earnings per share:			
As reported	$ 0.21	$ 0.15	$ 0.65
Pro forma	$ 0.13	$ 0.08	$ 0.58

The effects of applying SFAS No. 123 in the pro forma disclosure above may not be indicative of future amounts as additional awards in future years are anticipated.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Years Ended October 31, 2005	2004	2003
Expected life of options	7 years	7 years	7 years
Risk-free interest rate	3.82%	4.03%	3.98%
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	50.00%	37.28%	38.51%

Hedging Activities

SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* as amended and interpreted, requires that each derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or a liability and measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized currently in earnings in either income (loss) from continuing operations or accumulated other comprehensive income (loss), depending on whether the derivative qualifies for hedge accounting treatment.

On July 14, 2005, the Company entered into a forward foreign exchange contract with a notional amount of 2.1 million Canadian Dollars maturing on December 23, 2005. This foreign currency derivative qualifies for and is classified as a fair value hedge. The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions in foreign currencies will be adversely affected by changes in exchange rates. Changes in fair values of outstanding fair value hedge derivatives that are effective are recorded in other comprehensive income, until net income is affected by the variability of cash flows of the hedged transaction. In most cases, amounts recorded in other comprehensive income will be released to net income some time after the maturity of the related derivative. Gains and losses on these contracts are deferred and recognized as adjustments to either the basis of those assets or foreign exchange gains/ losses, as applicable. At October 31, 2005, the fair value of the forward swap contract resulted in an unrealized loss of approximately $44,000. This contract matured on December 23, 2005 resulting in a realized foreign exchange loss of $65,000.

Comprehensive Income

Accumulated other comprehensive income, which is included as a component of stockholders' equity, includes net income, unrealized gains or losses on available-for-sale marketable securities, derivative instruments and currency translation adjustments in foreign consolidated subsidiaries.

During 2005 and 2004, we sold corporate bonds that were classified as available-for-sale securities. We recognized the gain on the sale of these securities in our consolidated statement of operations, and the unrealized gain shown in other comprehensive income was affected by this reclassification adjustment as follows (in thousands):

	October 31,	
	2005	2004
Unrealized holding gains arising during period	$ 2	$ 189
Less: Reclassification adjustment for gains included in net income	(28)	(34)
Net unrealized gains on marketable securities	$ (26)	$ 155

Reclassifications

Certain reclassifications have been made in prior period financial statements to conform to current period presentation. These reclassifications had no effect on net income.

During the first quarter of 2005, the Company determined that certain investments in auction rate securities did not meet the definition of cash equivalents. Accordingly, $50.3 million was reclassified at October 31, 2004 from cash and cash equivalents to marketable securities in the Consolidated Balance Sheet. Additionally, cash flow activity from purchases of and proceeds from auction rate securities were included in the consolidated statements of cash flow for the fiscal years ended October 31, 2004 and 2003.

New Accounting Standards

In October 2004, the President of the United States signed into law the American Jobs Creation Act (the AJC Act). The AJC Act allows for a federal income tax deduction for a percentage of income earned from certain domestic production activities. The Company's U.S. production activities will qualify for the deduction. Based on the effective date of this provision of the AJC Act, the Company will be eligible for this deduction beginning in fiscal 2006. Additionally, in December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position 109-1, "Application of FASB Statement No. 109, *Accounting for Income Taxes* (SFAS 109), to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004" (FSP 109-1). FSP 109-1, which was effective upon issuance, requires the Company to treat the tax deduction as a special deduction instead of a change in tax rate that would have impacted the existing deferred tax balances. The Company is currently evaluating the impact of this special deduction but expects that it will reduce the Company's effective tax rate in fiscal 2006.

In November 2004, the FASB issued SFAS No. 151, *"Inventory Costs,"* an Amendment of ARB No. 43, Chapter 4 (SFAS 151), which adopts wording from the IASB's International Accounting Standard, *"Inventories,"* in an effort to improve the comparability of cross-border financial reporting. The new standard indicates that abnormal freight, handling costs and wasted materials are required to be treated as current period charges rather than as a portion of inventory costs. Additionally, the standard clarifies that fixed production overhead should be allocated based on the normal capacity of a production facility. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The Company does not expect the adoption of SFAS 151 to have a material impact on the consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123(R) *"Share-Based Payment,"* which requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in the Company's consolidated financial statements. The provisions of SFAS No. 123(R) are effective for the first annual reporting period that begins after June 15, 2005. The Company will adopt this standard at the beginning of fiscal 2006 and will elect the modified-prospective transition method. Under the modified-prospective method, awards that are granted, modified, repurchased, or canceled after the date of adoption should be measured and accounted for in accordance with SFAS No. 123(R). Awards that are granted prior to the effective date should continue to be accounted for in accordance with SFAS No. 123 except that stock option expense for unvested options must be recognized in the income statement. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on, among other things, levels of share-based payments granted in the future, the market value of the Company's common stock as well as assumptions regarding a number of complex variables. These variables include, but are not limited to, the Company's stock price, volatility, and employee stock option exercise behaviors and the related tax impact. However, had the Company adopted SFAS No. 123(R) in prior periods, the Company believes the impact of that standard would have approximated the impact of SFAS No. 123 as described in the above *"Stock-Based Employee Compensation"* disclosure of pro forma net income and earnings per share.

In December 2004, the FASB issued SFAS No. 153, *"Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions"* (SFAS 153), as part of its short-term international convergence project with the International Accounting Standards Board (IASB). Under SFAS 153, nonmonetary exchanges are required to be accounted for at fair value, recognizing any gains or losses, if their fair value is determinable within reasonable limits and the transaction has commercial substance. SFAS 153 is effective for fiscal years beginning after June 15, 2005. The Company does not expect the adoption of SFAS 153 to have a material impact on the consolidated financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47, *"Accounting for Conditional Asset Retirement Obligations"* (FIN 47) which is effective for fiscal years ending after December 15, 2005 and is an interpretation of FASB Statement No. 143, *"Accounting for Asset Retirement Obligations."* FIN 47 requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred if the fair value of the liability can be reasonably estimated. The Company does not expect the adoption of FIN 47 to have a material impact on the consolidated financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, *"Accounting Changes and Error Corrections"* (SFAS 154), which replaces Accounting Principles Board Opinion No. 20 *"Accounting Changes"* and FASB Statement No. 3, *"Reporting Accounting Changes in Interim Financial Statements."* SFAS 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005, and requires retrospective application to prior period financial statements of voluntary changes in accounting principle, unless it is impractical to determine either the period-specific effects or the cumulative effect of the change. The consolidated financial position, results of operations or cash flows will only be impacted by SFAS 154 if the Company implements a voluntary change in accounting principle or correct accounting errors in future periods.

C. Acquisition

On July 4, 2005, Powell acquired selected assets and assumed the operating liabilities and contracts of Switchgear & Instrumentation Limited. We refer to the acquired business herein as "S&I." S&I's primary manufacturing facility is in the United Kingdom. This acquisition is part of the Company's overall strategy to increase its international presence. S&I affords Powell the opportunity to serve our customers with products covering a wider range of electrical standards and opens new geographic markets previously closed due to a lack of product portfolio. The fit, culture and market position of Powell and S&I are favorably comparable with similar reputations in engineered to order solutions. S&I is a supplier of medium and low voltage switchgear, intelligent motor control systems and power distribution solutions to a wide range of process industries, with a focus on oil and gas, petrochemical and other process-related industries. Total consideration paid for S&I was approximately $18.0 million (excluding expenses of approximately $1.2 million). Approximately $10.3 million was funded from existing cash and investments and the balance was provided from the Term Loan (see Note H). The results of operations of S&I are included in the Company's Consolidated Financial Statements from July 4, 2005 through October 31, 2005. The consolidated balance sheet of Powell Industries, Inc. includes an allocation of the purchase price to the assets acquired and liabilities assumed based on preliminary estimates of fair value and are subject to final adjustment.

The purchase price allocation was as follows (in thousands):

Accounts receivable	$ 4,730
Costs and estimated earnings in excess of billings	4,492
Inventories	3,745
Prepaid expenses and other current assets	379
Property, plant and equipment	9,542
Intangible assets	3,846
Accounts payable	(5,793)
Billings in excess of costs and estimated earnings	(1,440)
Other accrued expenses	(334)
Total purchase price	$ 19,167

The amounts assigned to property, plant and equipment were based on independent appraisals of the property and plant, as well as the more significant pieces of machinery and equipment.

The amounts allocated to intangible assets related to the S&I acquisition were as follows (in thousands):

	Amount	Estimated Life
Unpatented technology	$ 2,175	6 years
Tradenames	1,025	10 years
Backlog	646	6 months
Total	$ 3,846	

The unaudited pro forma data presented below reflects the results of Powell Industries, Inc. and the acquisition of S&I assuming the acquisition was completed on November 1, 2003 (in thousands, except per share data):

	Years Ended October 31,	
	2005	2004
Revenues	$ 297,007	$ 287,143
Net income	$ 2,105	$ 4,133
Net earnings per common share:		
Basic	$ 0.20	$ 0.39
Diluted	$ 0.19	$ 0.38

The unaudited pro forma information includes the operating results of S&I prior to the acquisition date adjusted to include the pro forma impact of the following:

1) Impact of additional interest expense related to the portion of the purchase price financed with the Term Loan and lower interest income as a result of the sale of available-for-sale securities used to fund the remainder of the purchase price;

2) Elimination of the operating results of certain businesses of S&I which were not acquired;

3) Elimination of lease expense and recording of additional depreciation expense related to assets which were previously leased from S&I's previous parent;

4) Impact of amortization expense related to intangible assets;

5) Adjustment to the income tax provision to reflect the statutory rate in the United Kingdom.

The unaudited pro forma results above do not purport to be indicative of the results that would have been obtained if the acquisition occurred as of the beginning of each of the periods presented or that may be obtained in the future.

Prior to the acquisition by Powell, S&I operating results were reported under accounting principles generally accepted in the United Kingdom ("UK GAAP"). Revenues and costs related to long-term contracts accounted for under UK GAAP were not recognized on a percentage-of-completion basis of accounting. UK GAAP allows companies to recognize revenue on long-term contracts when the contract is complete (completed contract method). The unaudited pro forma results above were prepared based on the Company's best estimate of percentage-of-completion for long-term contracts under SOP 81-1, *"Accounting for Performance of Construction-Type and Certain Production-Type Contracts."*

D. Stock-Based Compensation

The Company has the following stock-based compensation plans:

The 1992 Stock Option Plan, as amended (the "1992 Plan"), permits the Company to grant to key employees non-qualified options and stock grants, subject to certain conditions and restrictions as determined by the Compensation Committee of the Board of Directors and proportionate adjustments in the event of stock dividends, stock splits and similar corporate transactions. At the April 15, 2005 Annual Meeting, stockholders approved an amendment to the 1992 Plan to increase the number of shares available for issuance under the plan from 2.1 million shares to 2.7 million shares. There were no stock grants during fiscal 2005, 2004, and 2003. Stock options are granted at an exercise price equal to the fair market value of the common stock on the date of the grant. Generally, options granted have an expiration date of seven years from the grant date and vest in increments of 20% per year over a five-year period. Pursuant to the 1992 Plan, option holders who exercise their options and hold the underlying shares of common stock for five years, vest in a stock grant equal to 20% of the original option shares. While restricted until the expiration of five years, the stock grant is considered issued at the date of the stock option exercise and is included in earnings per share. There were 0.5 million shares available to be granted under this plan as of October 31, 2005.

The 2000 Non-Employee Stock Option Plan, as amended, was adopted 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. Annually, each eligible Director who is continuing to serve as a Director, will receive a grant of an option to purchase 2,000 shares of our common stock. The total number of shares of our common stock available under this plan was 33,000 as of October 31, 2005. Stock options granted to the Directors are non-qualified and are granted at an exercise price equal to the fair market value of the common stock at the date of grant. Generally, options granted have expiration terms of seven years from the date of grant and will vest in full one year from the grant date. There are no further grants anticipated to be awarded under this plan. The

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Compensation Committee of the Board of Directors plans to terminate the 2000 Non-Employee Director Stock Option Plan after all outstanding options have been exercised or have expired.

The Company's stockholders voted at the April 15, 2005 meeting to approve the Non-Employee Director Restricted Stock Plan (the "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. Subject to certain conditions and restrictions as determined by the Compensation Committee of the Board of Directors and proportionate adjustments in the event of stock dividends, stock splits and similar corporate transactions, annually each eligible director will receive 2,000 shares of restricted stock on the date of the June Board of Directors meeting. The maximum aggregate number of shares of stock that may be issued under the Restricted Stock Plan is 150,000 and will consist of authorized but unissued or reacquired shares of stock or any combination thereof. The restricted stock grants vest 50 percent per year over a two year period on each anniversary of the grant date. Unless sooner terminated by the Board, the Restricted Stock Plan will terminate at the close of business on December 16, 2014, and no further grants shall be made under the plan after such date. Awards granted before such date shall continue to be subject to the terms and conditions of the plan and the respective agreements pursuant to which they were granted. On June 10, 2005, Directors of the Company were granted a total of 12,000 shares of restricted stock. The total number of shares of common stock available under the Plan was 138,000 as of October 31, 2005.

Stock option activity (number of shares) for the Company during fiscal years 2005, 2004 and 2003 was as follows:

	Stock Options	Weighted Average Exercise Price
Outstanding at October 31, 2002	720,173	$ 14.82
Granted	320,700	15.10
Exercised	(53,510)	12.02
Forfeited	(600)	15.81
Outstanding at October 31, 2003	986,763	15.06
Granted	27,000	16.38
Exercised	(82,986)	12.47
Forfeited	(103,384)	15.91
Outstanding at October 31, 2004	827,393	15.26
Granted	275,000	18.42
Exercised	(116,503)	13.28
Forfeited	(78,100)	16.50
Outstanding at October 31, 2005	907,790	$ 16.37

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The following table summarizes information about stock options outstanding as of October 31, 2005:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding at 10/31/05	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 10/31/05	Weighted Average Exercise Price
$8.44-$8.50	100,920	0.9 years	$ 8.50	100,920	$ 8.50
13.06-15.10	242,983	4.6	15.09	92,263	15.08
16.30-18.44	539,887	4.8	18.07	202,287	17.75
23.48-27.10	24,000	3.3	23.91	22,000	23.92
Total Options	907,790	4.3	16.37	417,470	15.25

The weighted average fair value of options granted was $10.31, $7.63 and $7.16 per option for the fiscal years ended October 31, 2005, 2004 and 2003, respectively.

E. Earnings Per Share

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

	Years Ended October 31,		
	2005	2004	2003
Numerator:			
Income from continuing operations	$ 2,251	$ 1,669	$ 7,495
Cumulative effect of change in accounting principle, net of tax	—	—	(510)
Net income	$ 2,251	$ 1,669	$ 6,985
Denominator:			
Denominator for basic earnings per share-weighted average shares	10,779	10,688	10,591
Dilutive effect of stock options	149	86	90
Denominator for diluted earnings per share-adjusted weighted average shares with assumed conversions	10,928	10,774	10,681
Basic earnings per share:			
Earnings from continuing operations	$ 0.21	$ 0.16	$ 0.71
Cumulative effect of change in accounting principle	—	—	(0.05)
Net earnings	$ 0.21	$ 0.16	$ 0.66
Diluted earnings per share:			
Earnings from continuing operations	$ 0.21	$ 0.15	$ 0.70
Cumulative effect of change in accounting principle	—	—	(0.05)
Net earnings	$ 0.21	$ 0.15	$ 0.65

For the years ended October 31, 2005, 2004 and 2003, options to purchase approximately 24,000, 352,000 and 380,000 shares, respectively, were excluded from the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of our common stock.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

F. Detail of Selected Balance Sheet Accounts

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

	October 31, 2005	October 31, 2004
Balance at beginning of period	$ 617	$ 1,283
Adjustments to the allowance	9	(498)
Deductions for uncollectible accounts written off, net of recoveries	(59)	(168)
Balance at end of period	$ 567	$ 617

Activity in our accrued product warranty account consists of the following (in thousands):

	October 31, 2005	October 31, 2004
Balance at beginning of period	$ 1,545	$ 1,929
Additions to the accrual	1,787	1,387
Deductions for warranty charges	(1,496)	(1,771)
Balance at end of period	$ 1,836	$ 1,545

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

	October 31, 2005	October 31, 2004
Raw materials, parts and subassemblies	$ 12,794	$ 9,167
Work-in-progress	8,822	6,165
Total inventories	$ 21,616	$ 15,332

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

	October 31, 2005	October 31, 2004
Costs incurred on uncompleted contracts	$ 293,741	$ 271,442
Estimated earnings	55,360	49,691
	349,101	321,133
Less: Billings to date	329,515	316,485
	$ 19,586	$ 4,648
Included in accompanying balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 35,328	$ 19,822
Billings in excess of costs and estimated earnings on uncompleted contracts	(15,742)	(15,174)
	$ 19,586	$ 4,648

Property, plant and equipment are summarized below (in thousands):

	October 31, 2005	October 31, 2004	Range of Asset Lives
Land	$ 7,559	$ 4,720	—
Buildings and improvements	43,189	39,629	3-39 Years
Machinery and equipment	34,946	29,804	3-15 Years
Furniture and fixtures	2,135	2,752	3-10 Years
Construction in process	2,980	5,336	—
	90,809	82,241	
Less: Accumulated depreciation	(35,131)	(37,200)	
Total property, plant and equipment, net	$ 55,678	$ 45,041	

Included in property and equipment are assets under capital lease of $299,000 and $325,000 at October 31, 2005 and 2004, with related accumulated depreciation of $124,000 and $80,000, respectively. Depreciation expense, including the depreciation of capital leases, was $4.6 million, $4.3 million and $5.0 million for fiscal years 2005, 2004 and 2003, respectively.

G. Employee Benefit Plans

We have a defined employee contribution 401(k) plan for substantially all of our employees. We match 50% of employee contributions up to an employee contribution of six percent of each employee's salary. We recognized expenses of $1.3 million, $1.2 million and $1.4 million in fiscal years 2005, 2004 and 2003, respectively, under this plan.

We have established an employee stock ownership plan ("ESOP") for the benefit of substantially all full-time employees other than employees covered by a collective bargaining agreement to which the ESOP has not been extended by any agreement or action of ours. The ESOP initially purchased 793,525 shares of the Company's common stock from a major stockholder. At October 31, 2005 and 2004, there were 581,274 and 606,912 shares in the trust with 395,083 and 375,858 shares allocated to participants, respectively. The funding for this plan was provided through a loan from the Company of $4.5 million. This loan will be repaid by the ESOP over a twenty-year period with equal payments of $424,000 per year, including interest at seven percent. We recorded deferred compensation as a contra-equity account for the amount loaned to the ESOP in the accompanying Consolidated Balance Sheets. We are required to make annual contributions to the ESOP to enable it to repay its loan to us. The deferred compensation account is amortized as compensation expense over twenty years as employees earn their shares for services rendered. The loan agreement also provides for prepayment of the loan if we elect to make any additional contributions. Compensation expense for fiscal years 2005, 2004 and 2003 was $317,000, $297,000, and $277,000, respectively and interest income for fiscal years 2005, 2004 and 2003 was $107,000, $128,000, and $148,000, respectively. The receivable from the ESOP is recorded as a reduction from stockholders' equity and the allocated and unallocated shares of the ESOP are treated as outstanding common stock in the computation of earnings per share. As of October 31, 2005 and 2004, the remaining ESOP receivable was $1.2 million and $1.5 million, respectively.

In October 1985 and February 1987, we entered into Executive Benefit Agreements with certain key officers and employees. Three participants remain in this plan, which provides for payments in accordance with a predetermined plan upon retirement or death. We recognize the cost of this plan over the projected years of service of the participant. We have insured the lives of these key employees to assist in the funding of the deferred compensation liability.

In November 1992, we established a plan to extend to retirees health benefits which are available to active employees under our existing health plans. Participants became eligible for retiree health care benefits when they retired from active service at age 55 with a minimum of ten years of service. Generally, the health plans paid a stated percentage of medical and dental expenses reduced for any deductible and co-payment. These plans are unfunded. Medical coverage may be continued by the retired employee up to age 65 at the average cost to the Company of active employees. At the age of 65, when the employee became eligible for Medicare, the benefits provided by the Company were to be reduced by the amount provided by Medicare and the cost to the retired employee would be reduced to 50 percent of the average cost to the Company of active employees.

In 1994, we modified our postretirement benefits to provide retiree health care benefits to only current retirees and active employees who were eligible to retire by December 31, 1999. Participants eligible for such benefits were required to pay between 20% and 100% of our average cost of benefits based on years of service. In addition, benefits would end upon the employee’s attainment of age 65.

The plan was amended effective January 1, 2000 to provide coverage for employees, age 55 or more but less than 65, who retire on or after January 1, 2000 with at least 10 years of service. The retiree is required to pay the full retiree cost less the amount paid by the Company, which is a percentage of the year 2000 cost. Effective as of the November 1, 2002 valuation date, retirees are required to pay the COBRA rate, instead of the full retiree cost, less the Company’s subsidy.

For the year ended October 31, 2005, the measurement of postretirement benefit expense was based on assumptions used to value the postretirement benefit liability as of November 1, 2004, our measurement date. The following table illustrates the components of net periodic benefit expense, funded status, the change in

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

funded status, and the change in accumulated benefit obligation of the postretirement benefit plans (in thousands):

	October 31, 2005	2004	2003
Components of net periodic postretirement benefit expense:			
Service cost	$ 75	$ 75	$ 92
Interest cost	69	73	106
Prior service cost	106	108	121
Net (gain) loss recognized	(33)	(26)	(3)
Net periodic postretirement benefit expense	$ 217	$ 230	$ 316
Funded Status:			
Retirees	$ 88	$ 94	$ 166
Fully eligible active participants	277	507	659
Other actual participants	447	754	898
Accumulated postretirement benefit obligation	812	1,355	1,723
Less unrecognized balances:			
Prior service cost	716	822	1,066
Net actuarial (gain) loss	(977)	(544)	(149)
Net amount recognized	$ 1,073	$ 1,077	$ 806
Changes in accumulated postretirement benefit obligation:			
Balance at beginning of year	$ 1,355	$ 1,723	$ 602
Service cost	75	75	92
Interest cost	69	73	106
Loss due to plan change	—	—	1,058
Actuarial (gain) loss	(661)	(316)	(95)
Curtailment (gain)	—	(150)	—
Benefits paid	(26)	(50)	(40)
Balance at end of year	$ 812	$ 1,355	$ 1,723
Fair value of plan assets	—	—	—
Weighted average assumptions:			
Discount rate	5.5%	5.8%	6.0%

It is assumed that 40% of employees who are eligible will elect medical coverage, decreasing to 20% in 2015. The assumed health care cost trend measuring the accumulated postretirement benefit obligation was 10% at the beginning of fiscal year 2005. This trend is expected to grade down to 5% in fiscal year 2010. If the health care trend rate assumptions were increased or decreased by 1% as of October 31, 2005, the effect of this change on the accumulated postretirement benefit obligation would be approximately $47,000. The effect on the aggregate service and interest cost components of the net periodic postretirement benefit cost from a 1% increase or decrease would be approximately $11,000. Net periodic postretirement benefit expense for fiscal 2005 was calculated using a discount rate of 5.75%.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of October 31, 2005, the cash flow estimates for expected benefit payments during each of the next ten years are as follows (in thousands):

Years Ending October 31,	Expected Benefit Payments
2006	$ 47
2007	51
2008	66
2009	75
2010	90
2011 through 2015	465

Statement of Accounting Standards No. 106, *"Employers Accounting for Postretirement Benefits Other Than Pensions,"* requires employers to select a discount rate assumption to determine the present value of benefits under their benefits plans. The methodology to select the discount rate was determined to reflect the time value of money as of the measurement date of the benefit obligation and reflect the rates of return currently available on high quality fixed income securities whose cash flows match the timing and amount of benefit payments of the plan underlying the obligation. A bond matching exercise was performed to match the expected benefit payments with expected bond maturities as of September 30, 2005 and adjusted to October 31, 2005 using the relative changes in the indices.

H. Long-Term Debt

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

	October 31, 2005	October 31, 2004
Industrial development revenue bonds, maturing in October 2021, with annual sinking fund payments of $400,000	$ 6,400	$ 6,800
UK Term Loan	10,646	—
Revolving lines of credit	4,259	—
Capital lease obligations	168	223
Other borrowings	58	77
Subtotal long-term debt and capital lease obligations	21,531	7,100
Less current portion	(2,095)	(474)
Total long-term debt and capital lease obligations	$ 19,436	$ 6,626

Long-Term Debt

On June 29, 2005, we entered into a new senior credit agreement ("Credit Agreement") with a major domestic bank and certain other financial institutions which replaced our existing revolving line of credit. The Credit Agreement also replaces an existing letter of credit facility used to guarantee payment of our existing loan agreement that was funded with proceeds from tax-exempt industrial development revenue bonds. This expanded credit facility was put in place to partially fund the acquisition of and provide working capital support for S&I.

The Credit Agreement provides for a 1) $22 million revolving credit facility ("US Revolver"), 2) £4 million (pound sterling) (approximately $7.0 million) revolving credit facility ("UK Revolver") and 3) £6 million (approximately $10.6 million) single advance term loan ("UK Term Loan"). The Credit

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Agreement contains customary affirmative and negative covenants and restricts our ability to pay dividends. The most restrictive covenant requires the Company to achieve certain operating results, as defined. Obligations are secured by the stock of our subsidiaries. The interest rate for amounts outstanding under the Credit Agreement is a floating rate based upon LIBOR plus a margin which can range from 1.25% to 2.25%, as determined by the Company's consolidated leverage ratio as defined within the Credit Agreement.

The US Revolver and the UK Revolver provide for the issuance of letters of credit which would reduce the amounts which may be borrowed under the respective revolvers. The amount available under this agreement is reduced by $12.2 million for our outstanding letters of credit at October 31, 2005. There was £2.4 million, or approximately $4.3 million, outstanding under the UK revolver as of October 31, 2005. No amounts were borrowed on the US Revolver. The US Revolver and the UK Revolver expire on June 30, 2008.

The UK Term Loan provides for borrowings of £6 million, or approximately $10.7 million, for our financing requirements related to the acquisition of S&I. Approximately £5 million, or approximately $8.9 million, of this facility was used to finance the portion of the purchase price of S&I that was denominated in pounds sterling. The remaining £1 million, or approximately $1.8 million, was utilized as the initial working capital for S&I. Quarterly installments of £300,000, or approximately $532,000, are due beginning March 31, 2006 with the final payment due on March 31, 2010. As of October 31, 2005, the full amount of the UK Term Loan was outstanding.

Expenses associated with the issuance of the Credit Agreement are classified as deferred loan costs and totaled $501,000 and are being amortized as a non-cash charge to interest expense over the term of the agreement (three years). See Note J.

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 the Company and a major domestic bank required an issuance by the bank of an irrevocable direct-pay letter of credit ("Bond LC") to the Bonds' trustee to guarantee payment of the Bonds' principal and interest when due. The Bond LC periodically changes in amount to equal the outstanding balance of the Bonds and terminates on October 25, 2006. The Bond LC is subject to both early termination and extension provisions customary to such agreements. While the Bonds mature in 2021, the reimbursement agreement requires annual redemptions of $400,000 commenced on October 25, 2002. A sinking fund is used for the redemption of the Bonds. 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 2.8% per annum on October 31, 2005.

Some machinery and equipment used in our manufacturing facilities were financed through capital lease agreements. These capital lease agreements are collateralized by the leased property. The capital lease obligations are at a fixed interest rate of 3%.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The annual maturities of long-term debt as of October 31, 2005 are as follows (in thousands):

Year Ending October 31,	Long-Term Debt Maturities	Capital Leases	Total
2006	$ 2,055	$ 40	$ 2,095
2007	2,529	59	2,588
2008	6,788	52	6,840
2009	2,529	17	2,546
2010	2,529	—	2,529
Thereafter	4,933	—	4,933
Total long-term debt maturities	$ 21,363	$ 168	$ 21,531

I. Income Taxes

The net deferred income tax asset (liability) is comprised of the following (in thousands):

	October 31, 2005	October 31, 2004
Current deferred income taxes:		
Gross assets	$ 3,931	$ 3,289
Gross liabilities	(2,095)	(2,560)
Net current deferred income tax asset	1,836	729
Noncurrent deferred income taxes:		
Gross assets	2,240	1,757
Gross liabilities	(2,670)	(1,145)
Net noncurrent deferred income tax asset (liability)	(430)	612
Net deferred income tax asset	$ 1,406	$ 1,341

As of October 31, 2005, the noncurrent deferred income tax asset is included in other assets and the noncurrent deferred tax liability is included in other liabilities on the consolidated balance sheet and the noncurrent deferred tax liability is included in other liabilities.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The tax effect of temporary differences between GAAP accounting and federal income tax accounting creating deferred income tax assets and liabilities are as follows (in thousands):

	October 31, 2005	October 31, 2004
Allowance for doubtful accounts	$ 217	$ 232
Reserve for accrued employee benefits	1,388	881
Warranty reserves	608	581
Uncompleted long-term contracts	(1,851)	(2,560)
Depreciation and amortization	(1,574)	(441)
Deferred compensation	781	656
Postretirement benefits liability	473	354
Accrued legal	382	357
Uniform capitalization and inventory	1,389	1,114
Software development costs	(535)	(494)
Deferred rent	—	167
Other	128	494
Net deferred income tax asset	$ 1,406	$ 1,341

The components of the income tax provision (benefit) consist of the following (in thousands):

	Years Ended October 31, 2005	2004	2003
Current:			
Federal	$ 506	$ 1,318	$ 3,527
State	43	186	1,970
Foreign	713	—	—
Deferred	(124)	(1,786)	640
Total income tax provision	$ 1,138	$ (282)	$ 6,137

A reconciliation of the statutory U.S. income tax rate and the effective income tax rate, as computed on earnings before income tax provision in each of the three years presented in the Consolidated Statements of Operations is as follows:

	Years Ended October 31, 2005	2004	2003
Statutory rate	34%	34%	34%
Revised state tax exposure	1	(15)	—
State income taxes, net of federal benefit	3	5	10
Release of capital loss valuation allowance	—	(20)	—
Federal extraterritorial income exclusion	(12)	(27)	—
Non-taxable interest income	(7)	(8)	—
Other permanent tax items	15	8	—
Other	(1)	2	1
Effective rate	33%	(21)%	45%

Our (benefit) provision for income taxes reflects an effective tax rate on earnings before income taxes of (21)% in fiscal 2004 compared to 33% in fiscal 2005 and 45% in fiscal 2003. During 2005 and 2004, we recorded several tax adjustments related to the following items:

a) A $0.4 million benefit was recorded for the years ended 2005 and 2004 primarily for the benefit of revised extraterritorial income exclusion amounts. This benefit was derived by calculating the extraterritorial income exclusion amount on a transaction by transaction basis in 2004 and 2003, as opposed to an aggregate basis as originally estimated;

b) A $0.3 million valuation allowance related to capital losses was released in 2004. We entered into an agreement in 2004 to sell a capital asset that will trigger enough capital gain to utilize the capital loss carryforward;

c) We reduced our income tax provision by $0.2 million in 2004 due to acceptance by certain state taxing authorities of voluntary disclosure agreements; and

d) We increased our income tax provision by $0.3 million in 2005 related to certain adjustments from audits of our prior year federal tax returns.

The Company has not recorded deferred income taxes on the undistributed earnings of its foreign subsidiaries because of management’s intent to indefinitely reinvest such earnings. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of taxes that may be payable on the eventual remittance of these earnings.

J. Goodwill and Other Intangible Assets

Our intangible assets consist of (1) goodwill which is not being amortized; (2) patents, trademarks, tradenames, and purchased technologies which are amortized over their estimated useful lives; and (3) contract costs related to backlog acquired in the S&I acquisition which is being amortized over the estimated life of the acquired contracts. We account for goodwill and other intangible assets in accordance with SFAS No. 142, *“Goodwill and Other Intangible Assets.”* Under the new rules, goodwill and other intangible assets with indefinite useful lives are no longer subject to amortization. As a result, we discontinued the amortization of goodwill beginning November 1, 2002. The statement requires a test for impairment of goodwill to be performed annually, or immediately if conditions indicate that impairment could exist. Intangible assets with definite useful lives will continue to be amortized over their estimated useful lives.

Upon adoption, we estimated the fair value of our reporting units using a present value method that discounted estimated future cash flows. The cash flow estimates incorporated assumptions on future cash flow growth, terminal values and discount rates. Because the fair value of some reporting units was below their carrying value, application of SFAS No. 142 required us to complete the second step of the goodwill impairment test and compare the implied fair value of each reporting unit’s goodwill with the carrying value. As a result of completing the impairment test, we recorded an impairment charge of $510,000, net of $285,000 taxes, to write off the impaired goodwill amounts as a cumulative effect of a change in accounting principle in the first quarter of 2003. We recorded an impairment charge of $380,000, net of $214,000 taxes, to write off the full value of goodwill in our Process Control Systems segment. In our Electrical Power Products segment, we recorded an impairment charge of $130,000, net of $71,000 taxes. All remaining goodwill is in our Electrical Power Products segment. No additional impairment was identified as a result of performing our annual impairment test for 2005, 2004 or 2003.

A summary of goodwill, intangible and other assets follows (in thousands):

	October 31, 2005		October 31, 2004	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Goodwill not subject to amortization	$ 384	$ 181	$ 384	$ 181
Intangible assets subject to amortization:				
Patents and Trademarks	830	613	837	563
Tradenames and unpatented technology — S&I	3,212	139	—	—
Backlog — S&I	654	439	—	—
Deferred loan costs	734	102	233	35

Deferred loan costs are included in other assets on the Consolidated Balance Sheet. The increase in deferred loan costs is associated with our new credit agreement as described in Note H. In connection with the acquisition of S&I, a portion of the purchase price was allocated to tradenames and unpatented technology based upon an independent appraisal. Additionally, a portion of the purchase price of S&I was assigned to contract costs associated with the backlog as they were incurred prior to the acquisition. Amortization expense related to intangible assets subject to amortization was approximately $643,000, $70,000 and $72,000, respectively, for the three years ended October 31, 2005. Estimated amortization expense for each of the subsequent five fiscal years is expected to be approximately $686,000, $471,00, $471,000, $440,000, and $415,000.

K. Commitments and Contingencies

Long-Term Debt

See Note H for discussion of our Long-Term Debt.

Leases

We lease certain offices, facilities and equipment under operating leases expiring at various dates through 2010. At October 31, 2005, the minimum annual rental commitments under leases having terms in excess of one year are as follows (in thousands):

Years Ending October 31,	Operating Leases
2006	$ 1,973
2007	1,632
2008	1,220
2009	684
2010	16
Thereafter	—
Total lease commitments	$ 5,525

Lease expense for all operating leases was $1.8 million, $1.8 million and $1.7 million for fiscal years 2005, 2004 and 2003, respectively.

Letters of Credit and Bonds

Certain customers require us to post a bank letter of credit guarantee or performance bonds issued by a surety. These guarantees and performance bonds assure our customers that we will perform under terms of our contract and with associated vendors and subcontractors. In the event of default, the customer 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 $12.6 million as of October 31, 2005. We also had performance bonds totaling approximately $176.5 million that were outstanding at October 31, 2005.

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. However, other than the claim discussed below in Other Contingencies, we do not believe that the ultimate conclusion of these disputes could materially affect our financial position or results of operations.

Other Contingencies

The Company was a party to a construction joint venture (the “Joint Venture”), which provided process control systems to the Central Artery/ Tunnel Project (the “Project”) in Boston, Massachusetts under a contract with the Massachusetts Turnpike Authority (the “MTA”). The Joint Venture submitted claims against the MTA seeking additional reimbursement for work done by the Joint Venture on the project. In a separate matter, the Joint Venture received notice dated May 9, 2002 (the “Notice”) from the MTA that a follow-on contractor has asserted a claim against the MTA in connection with work done or to be done by the follow-on contractor on the project. One component of the Project involved the Joint Venture performing specific work that the MTA then bid for the follow-on contractor to complete. The follow-on contractor’s claim, in part, included allegations that work performed by the Joint Venture was insufficient and defective, thus possibly contributing to the follow-on contractor’s claims for damages against the MTA. In the Notice of the potential claim, the MTA advised the Joint Venture that if it is required to pay the follow-on contractor additional amounts and such payment is the result of defective work by the Joint Venture, the MTA would seek indemnification from the Joint Venture for such additional amounts.

This claim, as well as the follow-on contractor’s claim, and MTA’s potential indemnity claim against the Joint Venture were resolved and appropriate contract modifications were agreed upon. This settlement resulted in a net increase in the contract amount of approximately $2.0 million, of which approximately $1.7 million was reflected as additional revenues for the fiscal year ended October 31, 2005.

In addition to the MTA matter discussed above, the Company previously entered into a construction joint venture agreement to supply, install and commission a Supervisory Control and Data Acquisition System (“SCADA”) to monitor and control the distribution and delivery of fresh water to the City of San Francisco Public Utility Commission (“Commission”). The project was substantially completed and has been performing to the satisfaction of the Commission. However, various factors outside of the control of the Company and its joint venture partner caused numerous changes and additions to the work that in turn delayed the completion of the project. The Commission has withheld liquidated damages and earned contract payments from the joint venture. The Company has made claims against the Commission for various matters including compensation for extra work and delay to the project.

The Company is currently pursuing the recovery of amounts owed under the contract, as well as legal and other costs incurred to defend its claim. Unless this matter is otherwise resolved, this claim is scheduled to go to trial in the first half of 2006. As of October 31, 2005, the Company had approximately $1.4 million recorded in the consolidated balance sheet for contractually owed amounts in accounts receivable and costs and

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

estimated earnings in excess of billings on uncompleted contracts related to its portion of this contract. Consistent with Company policy, only costs of directed change orders have been recorded by the Company. During the last two fiscal years, the Company's gross profit has been reduced by approximately $2.9 million in fiscal 2005 and $0.9 million in fiscal 2004 related to direct costs, including legal fees, related to this dispute. No amounts have been recorded by the Company related to the Company's claims and counterclaims alleging breach of the agreement. Although a failure to recover the amounts recorded could have a material adverse effect on the Company's results of operations, the Company believes that, under the circumstances and on the basis of information now available, an unfavorable outcome is unlikely.

L. Business Segments

We manage our business through operating subsidiaries, 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.

On July 4, 2005, we acquired selected assets and assumed certain operating liabilities and contracts of Switchgear & Instrumentation Limited in the United Kingdom. We refer to the acquired business herein as "S&I." The operating results and tangible assets of S&I are included in our Electrical Power Products business segment as of that date.

The tables below reflect certain information relating to our operations by segment. All revenues represent sales from unaffiliated customers. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Corporate expenses and certain assets are allocated to the operating segments primarily based on revenues. The corporate assets are mainly cash, cash equivalents and marketable securities.

Detailed information regarding our business segments is shown below (in thousands):

	Years Ended October 31, 2005	2004	2003
Revenues:			
Electrical Power Products	$ 220,123	$ 173,456	$ 227,012
Process Control Systems	36,522	32,686	26,369
Total	$ 256,645	$ 206,142	$ 253,381
Gross profit:			
Electrical Power Products	$ 33,361	$ 29,122	$ 42,609
Process Control Systems	10,499	6,855	6,187
Total	$ 43,860	$ 35,977	$ 48,796
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle:			
Electrical Power Products	$ (438)	$ (87)	$ 12,491
Process Control Systems	3,890	1,451	1,141
Total	$ 3,452	$ 1,364	$ 13,632

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Years Ended October 31, 2005	2004
Identifiable tangible assets:		
Electrical Power Products	$ 172,544	$ 114,374
Process Control Systems	10,762	11,889
Corporate	39,013	69,140
Total	$ 222,319	$ 195,403

In addition, the Electrical Power Products business segment had $203,000 and $203,000 of goodwill and $3,505,000 and $274,000 of intangible and other assets as of October 31, 2005 and 2004, respectively, and corporate had $632,000 and $198,000 of deferred loan costs, as of October 31, 2005 and 2004, respectively, which are not included in identifiable tangible assets above.

Geographic Information

Revenues are as follows (in thousands):

	Years Ended October 31, 2005	2004	2003
Europe (including former Soviet Union)	$ 6,346	$ 402	$ 843
Far East	18,729	5,550	13,120
Middle East and Africa	10,103	12,384	5,255
North, Central and South America (excluding U.S.)	29,762	10,675	20,581
United States	191,705	177,131	213,582
Total revenues	$ 256,645	$ 206,142	$ 253,381

No single customer or country, other than the United States accounted for more than 10 percent of consolidated revenues in fiscal years 2005, 2004 or 2003.

	Years Ended October 31, 2005	2004
Long-lived assets:		
United States	$ 46,695	$ 45,012
United Kingdom	8,950	—
Other	33	29
Total	$ 55,678	$ 45,041

Long-lived assets consist of property, plant and equipment net of accumulated depreciation.

M. Consolidation of Operations

To reduce overhead costs and improve efficiency, we initiated a consolidation plan in fiscal 2004 to reduce the number of operating locations within our Electrical Power Products segment. The majority of our consolidation changes related to severance and employee benefit expenses for involuntary terminations in 2004. Consolidation costs of $1.8 million and $0.4 million were recorded in cost of sales and selling general and administrative expenses for the year ended October 31, 2004. As of June 30, 2004, the consolidation of our Greenville, Texas, facility into our North Canton, Ohio facility was completed, resulting in the transfer of our distribution switch product lines. In October 2004, we completed the consolidation of our bus duct product lines by combining our Elyria, Ohio, operations into our Northlake, Illinois, facility. As of January 31, 2005, the consolidation of our Watsonville, California, operations into our Houston, Texas facility was completed, resulting in the transfer of our power electronics product lines to Houston. The consolidation of our operations resulted in the involuntary termination of approximately 100 employees.

As of October 31, 2004, the unpaid balance of the consolidation costs of approximately $504,000 was included in accrued salaries, bonuses and commissions on the Consolidated Balance Sheet. During the first quarter of fiscal 2005, $66,000 of additional shutdown costs and write downs of fixed assets were expensed and included in the Consolidated Statement of Operations. As of October 31, 2005, all amounts have been paid related to this consolidation effort.

N. Quarterly Results of Operations (unaudited)

The table below sets forth the unaudited consolidated operating results by fiscal quarter for the years ended October 31, 2005 and 2004 (in thousands, except per share data):

	2005 Quarters				
	First	Second	Third	Fourth (A)	2005
Revenues	$ 47,689	$ 58,914	$ 66,915	$ 83,127	$ 256,645
Gross profit	6,959	8,442	12,561	15,898	43,860
Net income (loss)	(1,426)	(295)	2,132	1,840	2,251
Basic earnings (loss) per share	(0.13)	(0.03)	0.20	0.17	0.21
Diluted earnings (loss) per share	(0.13)	(0.03)	0.19	0.17	0.21

	2004 Quarters				
	First	Second	Third	Fourth	2004
Revenues	$ 53,227	$ 51,476	$ 52,805	$ 48,634	$ 206,142
Gross profit	9,555	8,619	9,317	8,486	35,977
Net income (loss)	747	360	737	(175)	1,669
Basic earnings (loss) per share	0.07	0.03	0.07	(0.02)	0.16
Diluted earnings (loss) per share	0.07	0.03	0.07	(0.02)	0.15

(A) Net income includes a gain of approximately $1.1 million (pre-tax) related to the sale of a facility.

The sum of the individual earnings per share amounts may not agree with year-to-date earnings per share as each period’s computation is based on the weighted-average number of shares outstanding during the period.

O. Subsequent Event

On December 12, 2005, by unanimous consent, the Board of Directors of the Company resolved that effective November 1, 2005, the fiscal year of the Company beginning on that date will end on September 30, 2006 and from and after that date the fiscal year of the Company will be the period beginning October 1 of each year and ending on September 30 of the following year with the quarterly periods in the year ended September 30, 2006 being: first quarter — November 1, 2005 through January 31, 2006; second quarter — February 1, 2006 through April 30, 2006; third quarter — May 1, 2006 through July 31, 2006; and fourth quarter — August 1, 2006 through September 30, 2006. The Company intends to file a transition report on Form 10-K to reflect the transition period of November 1, 2005 through September 30, 2006.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

On May 7, 2004, the Audit Committee of our Board of Directors dismissed Deloitte & Touche, LLP ("Deloitte") as our independent public accountants.

Deloitte's report on our financial statements for the fiscal year ended October 31, 2003 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During our fiscal year ended October 31, 2003, and the subsequent interim period preceding the decision to change independent public accountants, there were no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Deloitte's satisfaction would have caused them to make reference to the subject matter of the disagreement in connection with the audit reports of our consolidated financial statements for such year. There were no reportable events as described under Item 304(a)(1)(v) of Regulation S-K.

We provided Deloitte with a copy of the foregoing disclosures. A letter from Deloitte dated May 13, 2004 stating its agreement with these statements was filed as Exhibit 16.1 to our Current Report on Form 8-K filed on May 13, 2004.

On May 7, 2004, the Audit Committee of our Board of Directors appointed PricewaterhouseCoopers LLP ("PricewaterhouseCoopers"), to serve as our independent registered public accounting firm for the year ending October 31, 2004. In the year ended October 31, 2003, and through the date hereof, we did not consult PricewaterhouseCoopers with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission 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 Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) 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 such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission'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.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934. The Company's internal control system was designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management evaluated the effectiveness of internal control over financial reporting based on the criteria in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on management's evaluation, management has concluded that internal control over financial reporting was effective as of October 31, 2005.

The evaluation did not include an assessment of internal control over financial reporting related to Switchgear & Instrumentation Limited and Switchgear & Instrumentation Properties Limited as it was acquired in July 2005 in a purchase business combination. Total revenues and total assets of Switchgear & Instrumentation Limited represent 8% and 15%, respectively, of the related consolidated financial statement amounts as of and for the year ended October 31, 2005 (see Note C to the Notes to Consolidated Financial Statements).

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited and issued their report on management's assessment of the effectiveness of our internal control over financial reporting as of October 31, 2005, which appears in their report to the financial statements included herein.

Item 9B. ***Other Information***

None

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

The information required by this item is incorporated in this Annual Report by reference to our definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended October 31, 2005, under the heading set forth above.

Item 11. ***Executive Compensation***

The information required by this item is incorporated in this Annual Report by reference to our definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended October 31, 2005, under the heading set forth above.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is incorporated in this Annual Report by reference to our definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended October 31, 2005, under the heading set forth above.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item is incorporated in this Annual Report by reference to our definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended October 31, 2005, under the heading set forth above.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is incorporated in this Annual Report by reference to our definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended October 31, 2005, under the heading set forth above.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

1. *Financial Statements.* Reference is made to the Index to Consolidated Financial Statements at Item 8 of this report.
2. *Financial Statement Schedule.* All schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes to the financial statements.
3. *Exhibits.*

Number		Description of Exhibits
2.1	—	Agreement for the sale and purchase of certain assets and the assumption of certain liabilities of Switchgear & Instrumentation Limited, dated July 4, 2005 (filed as Exhibit 2.1 to our Form 8-K filed July 6, 2005, and incorporated herein by reference).
2.2	—	Agreement for the sale of freehold land at Ripley Road, Bradford, dated July 4, 2005 (filed as Exhibit 2.2 to our Form 8-K filed July 6, 2005, and incorporated herein by reference).
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	—	By-laws of Powell Industries, Inc. (filed as Exhibit 3.2 to our Form 8-A/A filed November 1, 2004, and incorporated herein by reference).
10.1	—	Powell Industries, Inc., Incentive Compensation Plan (filed as Exhibit 10.1 to our Form 10-K for the fiscal year ended October 31, 2003, and incorporated herein by reference).
10.2	—	Description of Supplemental Executive Benefit Plan (filed as Exhibit 10 to our Form 10-K for the fiscal year ended October 31, 1984, and incorporated herein by reference).
10.3	—	1992 Powell Industries, Inc. Stock Option Plan (filed as an exhibit to our preliminary proxy statement dated January 24, 1992, and incorporated herein by reference).
10.4	—	Amendment to 1992 Powell Industries, Inc. Stock Option Plan (filed as Exhibit 10.8 to our Form 10-Q for the quarter ended April 30, 1996, and incorporated herein by reference).
10.5	—	Amendment to 1992 Powell Industries, Inc. Stock Option Plan (the cover of the 1992 Powell Industries, Inc. Stock Option Plan has been noted to reflect the increase in the number of shares authorized for issuance under the Plan from 2,100,000 to 2,700,000, which increase was approved by the stockholders of the Company at the 2005 Annual Meeting of Stockholders).
10.6	—	Powell Industries, Inc. Directors' Fees Program (filed as Exhibit 10.7 to our Form 10-K for the fiscal year ended October 31, 1992, and incorporated herein by reference).
10.7	—	Powell Industries, Inc. Executive Severance Protection Plan (filed as Exhibit 10.7 to our Form 10-K for the fiscal year ended October 31, 2002, and incorporated herein by reference).
10.8	—	Powell Industries, Inc. Non-Employee Directors Stock Option Plan (filed as Exhibit 10.9 to our Form 10-K for the fiscal year ended October 31, 2002, and incorporated herein by reference).
10.9	—	Powell Industries, Inc. Deferred Compensation Plan (filed as Exhibit 10.9 to our Form 10-K for the fiscal year ended October 31, 2002, and incorporated herein by reference).
*10.10	—	Powell Industries, Inc. Non-Employee Director Restricted Stock Plan.

Number		Description of Exhibits
10.11	—	Amended Loan Agreement dated October 29, 2004, between Powell Industries, Inc. and Bank of America, N.A. (filed as Exhibit 10.10 to our Form 10-K for the fiscal year ended October 31, 2004, and incorporated herein by reference).
10.12	—	Credit and Reimbursement Agreement dated April 15, 2004, between Powell Industries, Inc. and Bank of America, N.A. (filed as Exhibit 10.11 to our Form 10-K for the fiscal year ended October 31, 2004, and incorporated herein by reference).
10.13	—	Credit Agreement dated as of June 29, 2005 among Powell Industries, Inc.; Inhoco 3210 Limited and Switchgear & Instrumentation Properties Limited; and Bank of America and the other lenders parties thereto (filed as Exhibit 10.1 to our Form 8-K filed July 6, 2005, and incorporated herein by reference.)
*10.14	—	First Amendment to Credit Agreement dated November 7, 2005 among Powell Industries, Inc.; Inhoco 3210 Limited (n/k/a Switchgear & Instrumentation Limited); Switchgear & Instrumentation Properties Limited; Bank of America, N.A.; and the other lenders parties thereto.
*10.15	—	Second Amendment to Credit Agreement dated January 11, 2006 among Powell Industries, Inc., Switchgear & Instrumentation Limited, Switchgear & Instrumentation Properties Limited, Bank of America, N.A., and the other lenders parties thereto.
*10.16	—	Banking facilities between HSBC Bank plc and Switchgear & Instrumentation Limited and Switchgear & Instrumentation Properties Limited dated September 12, 2005.
*21.1	—	Subsidiaries of Powell Industries, Inc.
*23.1	—	Consent of Deloitte & Touche, LLP
*23.2	—	Consent of PricewaterhouseCoopers, LLP
*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.

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

POWELL INDUSTRIES, INC.

By /s/ THOMAS W. POWELL

Thomas W. Powell
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ DON R. MADISON

Don R. Madison
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated:

Signature	Title
/s/ THOMAS W. POWELL Thomas W. Powell	Chairman of the Board
/s/ JOSEPH L. BECHERER Joseph L. Becherer	Director
/s/ EUGENE L. BUTLER Eugene L. Butler	Director
/s/ JAMES F. CLARK James F. Clark	Director
/s/ STEPHEN W. SEALE, JR. Stephen W. Seale, Jr.	Director
/s/ ROBERT C. TRANCHON Robert C. Tranchon	Director
/s/ RONALD J. WOLNY Ronald J. Wolny	Director

Date: January 17, 2006

Table of Contents

EXHIBIT INDEX

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* Filed herewith

Exhibit 10.10

NON-EMPLOYEE DIRECTOR RESTRICTED STOCK PLAN

The Powell Industries, Inc. Non-Employee Director Restricted Stock Plan was adopted by the Board of Directors ("Board") of ***Powell Industries, Inc.***, a Delaware corporation ("Company"), effective as of December 17, 2004 and approved by the stockholders of the Company at its annual meeting of stockholders held on April 15, 2005.

PURPOSE AND TERM

Purpose**.** The Powell Industries, Inc. Non-Employee Director Restricted Stock Plan (the "Plan") is for the benefit of members of the Board who, at the time of their service, are not employees of the Company or any of its affiliates (each a "Participant" and collectively the "Participants"), to encourage ownership of the Company's common stock (the "Stock") by the Participants, thereby advancing the best interests of the Company by increasing the proprietary interest of the Participants in the success of the Company and encouraging them to continue in their present capacity.

Term**.** Unless sooner terminated by the Board, the Plan will terminate at the close of business on December 16, 2014 and no further grants shall be made under the Plan after such date. Awards granted before such date shall continue to be subject to the terms and conditions of the Plan and the respective agreements pursuant to which they were granted.

ADMINISTRATION

Administration of the Plan**.** The Plan shall be administered by the Compensation Committee of the Board ("Committee") or, if there is no Compensation Committee, the Plan shall be administered by the Board and all references to the Committee in this Plan shall refer to the Board. All questions of interpretation of the Plan or of any restricted stock agreement governing any grant under this Plan ("Restricted Stock Agreement") shall be determined by the Committee, and such determination shall be final and binding upon all persons having an interest in the Plan or such Restricted Stock Agreement. The Chief Executive Officer, the Chief Financial Officer, the President and any Vice President of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company in this Plan.

Powers of the Committee**.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its sole discretion:

to determine the terms, conditions and restrictions applicable to each grant (which need not be identical) under this Plan ("Award"), the method for satisfaction of any tax withholding obligation arising in connection with an Award or vesting of the Stock granted pursuant to the Award ("Restricted Stock"), the effect on the Award or the vesting of such Restricted Stock of termination of the status of a Participant as a director of the Company and all other terms, conditions and restrictions applicable to the Award or Restricted Stock not inconsistent with the terms of the Plan,

to approve one or more forms of Restricted Stock Agreement,

to accelerate, continue, extend or defer the vesting of any Restricted Stock,

to prescribe, amend or rescind rules, guidelines and policies necessary or advisable in the administration of the Plan, and to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Restricted Stock Agreement and to make all other determinations and take such other actions with respect to the Plan as the Committee may deem advisable to the extent consistent with the Plan and applicable law.

SHARES SUBJECT TO PLAN OR AWARDS AND ADJUSTMENTS THEREOF

Maximum Number of Shares Issuable**.** Subject to Section 3.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be 150,000 and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. If a share of Restricted Stock is forfeited for any reason, such share shall again be available for issuance under the Plan. During the term of this Plan, the Company shall at all times reserve and keep available that number of shares of Stock sufficient to satisfy the requirements of the Plan.

Changes in Capital Structure**.** If, at any time while the Plan is in effect or shares of Restricted Stock are outstanding, there shall be any increase or decrease in the number of issued and outstanding shares of Stock resulting from (i) the declaration or payment of a stock dividend, (ii) any recapitalization resulting in a stock split-up, combination or exchange of shares of Stock or (iii) any other increase or decrease in such shares of Stock effected without receipt of consideration by the Company, then and in such event:

an appropriate adjustment shall be made in the maximum number of shares of Stock then subject to being granted under the Plan so that the same proportion of the Company's issued and outstanding shares of Stock shall continue to be subject to being granted under the Plan; and

appropriate adjustments shall be made in the number of outstanding shares of Restricted Stock.

Any fractional share resulting from an adjustment under this Section 3.2 shall be rounded up to the nearest whole number. Except as otherwise expressly provided in the Plan, the issuance by the Company of shares of its capital stock of any class, or securities convertible into or exercisable for shares of capital stock or any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of outstanding shares of Restricted Stock.

Notice of Adjustment**.** Upon the occurrence of each event requiring an adjustment with respect to any Restricted Stock, the Company shall mail to each affected Participant its computation of such adjustment, which shall be conclusive and shall be binding upon each Participant.

AWARDS OF RESTRICTED STOCK

Eligibility**.** The persons who shall be eligible to receive Restricted Stock under the Plan shall be each member of the Board who is not an employee of the Company or any affiliate of the Company.

Awards**.** On the day of each June Board meeting (or the next regular meeting of the Board, if there is no June meeting), each Participant who is continuing to serve as a director shall receive a grant of 2,000 shares of Stock. If a Participant is first elected or appointed to the Board (whichever is applicable) other than at a June meeting, the Participant shall receive a grant of that number of shares of Stock (rounded up to the nearest whole share) determined by multiplying 2,000 shares by a fraction, the numerator of which is the number of months until the next June meeting (or meeting held in lieu of the

June meeting and counting the month in which the Participant became a director) and the denominator of which is 12. The intent of this initial grant is to provide the new director with a prorated grant for the partial year served before the new director receives the annual grant.

Restricted Stock Agreement**.** The prospective recipient of a grant of Stock shall not have any rights with respect to such grant until such prospective recipient has executed a Restricted Stock Agreement and delivered a fully executed copy thereof to the Company within a period of sixty days (or such other period as the Committee shall specify) after the date of the grant. The Restricted Stock Agreement shall set forth the number of shares of Stock granted to the Participant and all other terms, limitations, restrictions and conditions to which such Stock is subject. To the extent any such terms, limitations, restrictions or conditions are inconsistent with the terms of the Plan, the terms of the Plan shall control.

Share Certificates**.** Each Participant shall be issued a stock certificate or certificates representing the shares of Restricted Stock granted to such Participant. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, limitations, restrictions and conditions applicable to such Restricted Stock substantially as provided in Section 4.5 below. The Committee may require that the stock certificates evidencing the shares of Restricted Stock be held in the custody of the Company until the restrictions thereon shall have lapsed and that the Participant deliver to the Committee a stock power or stock powers, endorsed in blank, relating to the shares of Restricted Stock.

Legends**.** Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof and each Restricted Stock Agreement shall provide that any such certificate not having such legend shall be surrendered upon demand of the Company therefor and so endorsed:

On the face of the certificate:

“Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate.”

On the reverse of the certificate:

“The shares of stock evidenced by this certificate are subject to and transferable only in accordance with that certain Powell Industries, Inc. Non-Employee Director Restricted Stock Plan, a copy of which is on file at the principal office of the Company in Houston, Texas. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of the Plan. By acceptance of this certificate, any holder, transferee or pledgee hereof agrees to be bound by all of the provisions of the Plan.

And, if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

“Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may require and rely upon an opinion of counsel satisfactory to the Company.”

A copy of this Plan shall be kept on file in the principal office of the Company in Houston, Texas.

Restrictions and Conditions**.** Shares of Restricted Stock shall be subject to the following restrictions and conditions:

Subject to the provisions of the Plan and the Restricted Stock Agreement governing the grant of Restricted Stock, during such period or periods as may be established by the Committee beginning on the date of the Award (“Restricted Period”), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock granted under the Plan; *provided*, *however, that* the Committee may, in its sole discretion, provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Committee may determine, in its sole discretion, including without limitation the attainment of certain performance-related goals, the death or Disability of the Participant or the Participant’s otherwise ceasing to serve as a director of the Company.

During the Restricted Period, the Participant shall have the rights of a shareholder with respect to any shares of Restricted Stock, except as otherwise stated in the Plan or the Restricted Stock Agreement governing the grant of Restricted Stock.

For purposes of the Plan, the term “Disability” shall mean the determination by the Board, upon the advice of an independent qualified physician, that the Participant has become physically or mentally incapable of performing his duties as a director and such disability has disabled the Participant for a period of at least 180 days in any twelve-calendar-month period.

ADDITIONAL PROVISIONS

Amendment or Discontinuation**.** Except as set otherwise set forth in this Section 5.1, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend or discontinue the Plan in whole or in part, *provided*, *however, that* to the extent required to qualify the Plan under Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, no amendment shall be made more than once every six months that would change the amount, price or timing of the initial and annual grants, other than to comport with changes in the Internal Revenue Code of 1986, as amended; and *provided, further, that* to the extent required to qualify the Plan under Rule 16b-3, no amendment that would (a) materially increase the number of shares of the Stock that may be issued under the Plan, (b) materially modify the requirements as to the eligibility for participation in the Plan, or (c) otherwise materially increase the benefits accruing to Participants under the Plan, shall be made without the approval of the Company’s stockholders. Any such amendment shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding Restricted Stock previously granted under the Plan with respect to which the Restricted Period has not yet expired, notwithstanding any contrary provisions contained in any Restricted Stock Agreement. In the event of any such amendment to the Plan, the holder of any Restricted Stock outstanding under the Plan shall, upon the request of the Committee, execute a conforming amendment to the applicable Restricted Stock Agreement in the form prescribed by the Committee. Notwithstanding anything contained in the Plan to the contrary, unless required by law, no action contemplated or permitted by this Section 5.1 shall adversely affect any rights of a Participant or obligations of the Company to Participants with respect to any Restricted Stock with respect to which the Restricted Period has expired without the consent of the affected Participant.

Investment Intent and Other Representations**.** The Company may require that there be presented to and filed with it by any Participant under the Plan such evidence as it may deem necessary to establish that the shares of Restricted Stock are being acquired for investment and not with a view to their distribution and such other representations and warranties of a Participant which the Company considers necessary or appropriate.

Indemnification of Board and Committee**.** With respect to administration of the Plan, the Company shall indemnify each present and future member of the Committee against, and each member of the Committee shall be entitled without further act on his part to indemnity from the Company for, all expenses (including the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to the Company itself) reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be a member of the Committee at the time of incurring the expenses. However, this indemnity shall not include any expenses incurred by any member of the Committee (a) in respect of matters as to which he shall be finally adjudged in any action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as a member of the Committee, or (b) in respect of any matter in which any settlement is effected, to an amount in excess of the amount approved by the Company on the advice of its legal counsel. In addition, no right of indemnification under this Plan shall be available to or enforceable by any member of the Committee unless, within 60 days after the institution of any action, suit or proceeding, he shall have offered the Company, in writing, the opportunity to handle and defend the same at its own expense. This right of indemnification shall inure to the benefit of the heirs, executors or administrators of each member of the Committee and shall be in addition to all other rights to which a member of the Committee may be entitled as a matter of law, contract or otherwise.

Effect of the Plan**.** Neither the adoption of the Plan nor any action of the Committee shall be deemed to give any person any rights except as may be evidenced by a Restricted Stock Agreement or any amendment thereto duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

Compliance with Other Laws and Regulations**.** Nothing in this Plan shall be construed to require the Company to issue any shares of Stock under the Plan if issuing that Stock would constitute or result in a violation by the Participant or the Company of any provision of any law, statute or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which the shares of Stock are or may be quoted or traded (including without limitation Section 16 of the Securities Exchange Act of 1934). Specifically, in connection with any applicable statute or regulation relating to the registration of securities, the Company shall not be required to issue any Stock unless the Company has received evidence satisfactory to it to the effect that the Participant will not transfer the Stock except in accordance with applicable law, including receipt of an opinion of counsel satisfactory to the Company to the effect that any proposed transfer complies with applicable law. The determination by the Company on this matter shall be final, binding and conclusive. The Company may, but shall in no event be obligated to, register any Stock covered by this Plan pursuant to applicable securities laws of any country or any political subdivision. If the Stock is not registered, the Company may imprint on the certificate evidencing the Stock any legend that counsel for the Company considers necessary or advisable to comply with applicable law.

Tax Requirements**.** The Company shall have the right pursuant to any arrangement it deems appropriate to deduct from all Awards hereunder any federal, state or local taxes required by law to be withheld with respect to such payments.

THE UNDERSIGNED, being the duly elected Secretary of the Company, does hereby certify that the foregoing is a true and correct copy of the Powell Industries, Inc. Restricted Stock Plan, adopted by the Board of Directors of Powell Industries, Inc. at the meeting thereof duly called and held on December 17, 2004 and approved by the stockholders of the Company at its annual meeting of stockholders held on April 15, 2005.

/s/ DON R. MADISON

Don R. Madison, Secretary

FORM OF RESTRICTED STOCK AGREEMENT

Pursuant to the Powell Industries, Inc. Non-Employee Director Restricted Stock Plan (“Plan”), this Restricted Stock Agreement (“Agreement”) is made as of ___, ___ (“Effective Date”) by and between Powell Industries, Inc., a Delaware corporation (“Company”), and ___ (“Grantee”).

The parties agree as follows:

1. ***Grant of Stock***. The Company hereby grants to Grantee and Grantee hereby accepts 2,000 shares of the Company’s common stock (“Shares”).

2. ***Vesting***.

The Shares shall become fully vested and shall no longer be subject to forfeiture as follows:

fifty per cent on the first anniversary of the Effective Date, and

fifty per cent on the second anniversary of the Effective Date.

Notwithstanding the foregoing, the Shares shall, to the extent not then fully vested, become fully vested and shall no longer be subject to forfeiture:

upon the retirement of the Grantee from the Board of Directors of the Company (“Board”), but only with respect to grants of Shares made before the annual shareholder meeting immediately preceding such retirement;

upon the occurrence of a “Liquidation Event” as such term is defined in Section 2(c) below; or

upon the death or Disability (as defined in the Plan) of the Grantee.

As used in this Agreement, “Liquidation Event” shall mean the occurrence of either of the following:

a merger, reorganization or consolidation of the Company with or into one or more corporations, limited liability companies or partnerships in which the Company is not the surviving entity and stockholders of the Company receive cash or freely salable securities; or

the sale of all or substantially all of the Company’s assets in one or more transactions for cash or freely salable securities and a subsequent liquidation of the Company, in which its stockholders receive liquidating distributions of such proceeds of sale after payment or provision for the valid debts, liabilities and taxes of the Company.

3. ***Forfeiture of Unvested Shares Upon Termination or Attempted Transfer***. Upon the occurrence of (i) Grantee’s ceasing to be a director of the Company for any or no reason except death or Disability of the Grantee or, with respect to Shares granted after the annual stockholder meeting immediately preceding such retirement, the retirement of Grantee from the Board or (ii) any attempted transfer by the Grantee to a third party of Shares that are not yet fully vested and no longer subject to forfeiture, the Company shall, upon the date of such termination or attempted transfer (as such date is reasonably fixed

and determined by the Company) cancel such portion of the Shares as are not fully vested in accordance with Section 2 above (“Forfeited Shares”), and Grantee shall forfeit and have no further right to or interest in or claim regarding the Forfeited Shares. Upon such cancellation and forfeiture, Grantee, or Grantee’s representative, shall immediately surrender to the Company for cancellation the share certificate(s) representing the Forfeited Shares. Notwithstanding Grantee’s failure to surrender for cancellation the share certificate(s) representing the Forfeited Shares, Grantee hereby grants to the Secretary of the Company all right, power and authority on behalf of Grantee to cause, and the Secretary of the Company shall cause, the Forfeited Shares to be cancelled on the official stock register of the Company, which stock register shall be conclusive evidence of ownership of any and all of the Company’s outstanding capital stock, including the Shares as applicable.

4. ***Restrictions on Transfer***.

Grantee shall not transfer, encumber or otherwise dispose of any of the Shares (or any beneficial interest therein) in any way until the date such Shares are fully vested and no longer subject to forfeiture.

Notwithstanding Section 5(a) above, Grantee shall not transfer or dispose of the shares unless (i) there is then in effect a registration statement under the Securities Act of 1933 or any successor thereto (“Securities Act”) covering such proposed disposition and such disposition is made in accordance with such registration statement or (ii) Grantee shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, such Grantee shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will be exempt from registration under the Securities Act.

5. ***Legends***. The share certificate evidencing the Shares issued hereunder shall be endorsed with the following legends (in addition to any other legends required by the Plan or under applicable federal and state securities laws):

“THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO AND TRANSFERABLE ONLY IN ACCORDANCE WITH THAT CERTAIN POWELL INDUSTRIES, INC. RESTRICTED STOCK PLAN, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY IN HOUSTON, TEXAS. NO TRANSFER OR PLEDGE OF THE SHARES EVIDENCED HEREBY MAY BE MADE EXCEPT IN ACCORDANCE WITH AND SUBJECT TO THE PROVISIONS OF THE PLAN. BY ACCEPTANCE OF THIS CERTIFICATE, ANY HOLDER, TRANSFEREE OR PLEDGEE HEREOF AGREES TO BE BOUND BY ALL OF THE PROVISIONS OF THE PLAN.”

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE COMPANY’S PRINCIPAL EXECUTIVE OFFICES. SUCH TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES.”

Grantee shall surrender, upon demand of the Company therefor, any certificate evidencing the Shares that does not bear any legend required hereunder or by the Plan so that such legend may be placed on such certificate or a new certificate issued bearing the required legends.

6. ***Tax Withholding and Other Tax Matters***. The Company shall have the right to withhold from any issuance of Shares all federal, state, city or other taxes as may be required pursuant to any statute or governmental regulation or filing. In connection with such withholding, the Company may make any arrangement it deems appropriate. Grantee acknowledges its obligations to review with Grantee's own tax advisors the federal, state, local and foreign tax consequences of this grant and the transactions contemplated by this Agreement and particularly the consequences with regard to making any election under Section 83(b) of the Internal Revenue Code. Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Grantee understands that Grantee (and not the Company) shall be responsible for Grantee's own tax liability that may arise as a result of this grant or the transactions contemplated by this Agreement and shall be required to pay to the Company any such liability.

   IF GRANTEE DESIRES TO MAKE A SECTION 83(b) ELECTION UNDER SECTION 83(b) OF THE INTERNAL REVENUE CODE, GRANTEE ACKNOWLEDGES THAT IT IS GRANTEE'S SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON GRANTEE'S BEHALF. GRANTEE SHALL DELIVER A COPY OF ANY SUCH FILING TO THE COMPANY PROMPTLY UPON THE FILING THEREOF.

7. ***General Provisions.***

   THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS BY THE INTERNAL LAWS OF THE STATE OF TEXAS (WITHOUT GIVING EFFECT TO ITS CHOICE OF LAW PROVISIONS) AS SUCH LAWS ARE APPLIED TO AGREEMENTS BETWEEN TEXAS RESIDENTS ENTERED INTO AND TO BE PERFORMED ENTIRELY WITHIN TEXAS.

This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof and may only be modified or amended in writing signed by both parties.

All references to the number of Shares shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares that may be made by the Company after the date of this Agreement, in accordance with the terms of the Plan.

All notices and other communications required or permitted hereunder shall be in writing and may be delivered in person or by facsimile, electronic mail, courier or U.S. mail, in which event it may be mailed by first-class, certified or registered, postage prepaid, addressed (i) if to Grantee, at Grantee's address set forth on the signature page of the Agreement, or at such other address as Grantee shall have furnished to the Company in writing, or (ii) if to the Company, to its address set forth on the signature page of this Agreement and addressed to the attention of the Secretary, or at such other address as the Company shall have furnished to Grantee. All such notices and other communications shall be deemed given upon personal delivery, upon confirmation of facsimile transfer, upon confirmation of electronic mail transmission, upon delivery by courier or three business days after deposit in the United States mail.

If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without such provision, *provided, however, that* no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the Effective Date.

Powell Industries, Inc.

By: ______________________________

Its: ______________________________

Address:

8550 Mosley Drive
Houston, Texas 77075

____
[Name of Grantee]

Address:

____

____
{Please provide address for notice purposes}

CONSENT OF SPOUSE

I, ______________________________ , spouse of [Name of Grantee], have read and approve the foregoing Agreement. In consideration of granting to [Name of Grantee] 2,000 shares of common stock of Powell Industries, Inc. as set forth in the Agreement, I hereby appoint [Name of Grantee] as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares issued pursuant thereto under the community property laws of the State of Texas or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: ____________________, __________.

"Spouse of Grantee"

____
(Signature)

____
(Print Name)

Exhibit 10.14

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "***Amendment***") is entered into as of November 7, 2005 (the "***Effective Date***") among Powell Industries, Inc., a Delaware corporation ("***Parent***"), Switchgear & Instrumentation Ltd., an entity organized under the laws of England and Wales (formerly known as Inhoco 3210 Limited, "***Inhoco***"), Switchgear & Instrumentation Properties Limited, an entity organized under the laws of England and Wales ("***SI Properties***" and together with Inhoco, "***UK 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, Inhoco, and SI Properties, as borrowers (each a "***Borrower***" and collectively "***Borrowers***"), Agent and Lenders entered into that certain Credit Agreement dated as of June 29, 2005 (as amended, restated or supplemented the "***Credit Agreement***").

B. Borrowers, Agent and Lenders have agreed to amend the Credit Agreement, subject to the terms and conditions of this Amendment.

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:

(a) ***Section 1.01*** of the Credit Agreement is amended to add the following new definition in its appropriate alphabetical order:

Approved Period means the period commencing on the Closing Date and ending on December 31, 2006 (such period may be extended if requested by UK Borrower and if the Required Lenders agree, in their sole discretion, to an extension in writing).

HSBC Bond Facility means that certain credit facility (as amended, restated or supplemented from time to time) entered into among UK Borrower, as a borrower, and HSBC Bank plc, as lender, for the purpose of giving UK Borrower the ability to issue bonds and enter into forward exchange contracts and currency options.

(b) ***Section 7.01*** of the Credit Agreement is amended to delete the period at the end of *clause (l)* and to replace it with "; and" and to add the following new *clause (m)* as follows:

"(m) during the Approved Period, Liens granted by UK Borrower in favor of HSBC Bank plc securing the HSBC Bond Facility."

(c) ***Section 7.03*** of the Credit Agreement is amended to delete the period at the end of *clause (h)* and to replace it with semicolon and to add the following new *clauses (i), (j) and (k)* as follows:

"(i) during the Approved Period, Indebtedness of UK Borrower under its HSBC Bond Facility that does not exceed £16,500,000 at any time;

(j) during the Approved Period, the guaranty by Parent in respect of Indebtedness under the HSBC Bond Facility, *provided that*, the amount of its guaranteed obligation does not exceed £10,000,000 at any time; and

(k) intercompany Indebtedness incurred in the ordinary course of business owed (i) by any wholly owned Subsidiary of Borrower to Borrower, (ii) by Borrower to any of its wholly owned Subsidiaries, and (iii) by any wholly owned Subsidiary of Borrower to another wholly owned Subsidiary of Borrower."

2. Conditions. This Amendment shall be effective on the Effective Date once each of the following have been delivered to Agent and Lenders:

(a) this Amendment executed by Borrowers, Agent and Lenders;

(b) Guarantors' Consent and Agreement;

(c) Officer's Certificate from Parent together with resolutions adopted by its Board of Directors authorizing this Amendment;

(d) Officer's Certificate from Inhoco together with resolutions adopted by its Board of Directors authorizing this Amendment;

(e) Officer's Certificate from SI Properties together with resolutions adopted by its Board of Directors authorizing this Amendment;

(f) an executed copy of UK Borrower's final agreement with HSBC Bank with respect to its bonding facility; and

(g) such other documents as Agent or Lenders may reasonably request.

3. Representations and Warranties. Each Borrower 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 Borrower, (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 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. Borrowers hereby reaffirm their obligations under the Loan Documents to which each is a party and agree that all Loan Documents to which they are 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). Borrowers hereby release Agent and Lenders from any liability for actions or omissions in connection with the Credit Agreement and the other Loan Documents prior to the date of this Amendment.

5. Miscellaneous.

(a) No Waiver of Defaults. 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. Borrowers agree 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 Borrowers, 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 BETWEEN BORROWERS, 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.

BORROWERS:

POWELL INDUSTRIES, INC.

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

SWITCHGEAR & INSTRUMENTATION LTD., formerly known as Inhoco 3210 Limited

By: /s/ Don R. Madison
Don R. Madison
Director

SWITCHGEAR & INSTRUMENTATION PROPERTIES LIMITED

By: /s/ Don R. Madison
Don R. Madison
Director

BANK OF AMERICA, N.A., as Agent

By: /s/ Daniel J. Lintner
Daniel J. Lintner
Senior Vice President

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

By: /s/ Daniel J. Lintner
Daniel J. Lintner
Senior Vice President

GUARANTORS' CONSENT AND AGREEMENT TO FIRST 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

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

POWELL — ESCO COMPANY,
a Texas corporation

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

POWELL INDUSTRIES
INTERNATIONAL, INC.,
a Delaware corporation

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

POWELL INDUSTRIES CHINA, INC.,
a Delaware corporation

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

POWELL ELECTRICAL SYSTEMS, INC.,
a Delaware corporation

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

POWELL INDUSTRIES ASIA, INC.,
a Delaware corporation

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

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "***Amendment***") is entered into as of January 11, 2006, but shall be effective for all purposes as of the Effective Date (defined below) among Powell Industries, Inc., a Delaware corporation ("***Parent***"), Switchgear & Instrumentation Ltd., an entity organized under the laws of England and Wales (formerly known as Inhoco 3210 Limited, "***Inhoco***"), Switchgear & Instrumentation Properties Limited, an entity organized under the laws of England and Wales ("***SI Properties***" and together with Inhoco, "***UK 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, Inhoco, and SI Properties, as borrowers (each a "***Borrower***" and collectively "***Borrowers***"), Agent and Lenders entered into that certain Credit Agreement dated as of June 29, 2005 (as amended by the First Amendment to Credit Agreement dated November 7, 2005, and as amended, restated or supplemented the "***Credit Agreement***").

B. Borrowers, Agent and Lenders have agreed to amend the Credit Agreement, subject to the terms and conditions of this Amendment.

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

1. Amendment to Credit Agreement. The Credit Agreement is amended as set forth below as of the Effective Date:

(a) The definition of "Fiscal Year" in ***Section 1.01*** of the Credit Agreement is deleted in its entirety and is replaced with the following:

Fiscal Year means, as to Parent and its Subsidiaries, their fiscal year ending October 31, 2005, and thereafter each fiscal year ending September 30.

(b) ***Sections 6.01(a) and (b)*** of the Credit Agreement are deleted in their entirety and replaced with the following:

"(a) as soon as available, but in any event within 120 days after the end of each fiscal year of Parent, a consolidated balance sheet of Parent and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, Shareholders' Equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with

GAAP, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Agent, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit; and

(b) as soon as available, but in any event within 45 days after the end of each fiscal quarter of each fiscal year of Parent, a consolidated balance sheet of Parent and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income or operations, Shareholders' Equity and cash flows for such fiscal quarter and for the portion of Parent's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of Parent as fairly presenting the financial condition, results of operations, Shareholders' Equity and cash flows of Parent and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes."

(c) ***Section 6.02(a)*** of the Credit Agreement is deleted in its entirety and replaced with "[Intentionally Omitted]."

(d) ***Section 7.11(f)*** 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 in the ordinary course of business not exceeding, in the aggregate for Parent and it Subsidiaries, for the most recently completed four fiscal quarters ending on each quarterly date below, the amount set forth opposite such period:

Period Ending	Maximum Capital Expenditures
Quarter Ending July 31, 2005	$ 6,000,000
Quarter Ending October 31, 2005	$ 7,000,000
Quarter Ending January 31, 2006	$ 7,000,000"

2. Conditions. This Amendment shall be effective as of October 31, 2005 (the "***Effective Date***") once each of the following have been delivered to Agent and Lenders:

(a) this Amendment executed by Borrowers, Agent and Lenders;

(b) Guarantors' Consent and Agreement;

(c) Officer's Certificate from Milburn E. Honeycutt, as Assistant Secretary of Borrowers and each Guarantor certifying that the prior certificates delivered to Agent are true and correct as of the date hereof; and

(d) such other documents as Agent or Lenders may reasonably request.

3. Representations and Warranties. Each Borrower 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 Borrower, (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 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. Borrowers hereby reaffirm their obligations under the Loan Documents to which each is a party and agree that all Loan Documents to which they are 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). Borrowers hereby release Agent and Lenders from any liability for actions or omissions in connection with the Credit Agreement and the other Loan Documents prior to the date of this Amendment.

5. Miscellaneous.

(a) No Waiver of Defaults. 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. Borrowers agree 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 Borrowers, 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 BETWEEN BORROWERS, 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.

BORROWERS:

POWELL INDUSTRIES, INC.

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

SWITCHGEAR & INSTRUMENTATION LTD.,
formerly known as Inhoco 3210 Limited

By: /s/ Don R. Madison
Don R. Madison
Director

SWITCHGEAR & INSTRUMENTATION PROPERTIES LIMITED

By: /s/ Don R. Madison
Don R. Madison
Director

BANK OF AMERICA, N.A., as Agent

By: /s/ Daniel J. Lintner
Daniel J. Lintner
Senior Vice President

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

By: /s/ Daniel J. Lintner
Daniel J. Lintner
Senior Vice President

Signature Page to the Second Amendment to Credit Agreement

GUARANTORS' CONSENT AND AGREEMENT TO SECOND 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:

POWELL ELECTRICAL SYSTEMS, INC.,
a Delaware corporation

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

TRANSDYN, INC.,
a Delaware corporation

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

POWELL INDUSTRIES INTERNATIONAL, INC.,
a Delaware corporation

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

POWELL INDUSTRIES ASIA, INC.,
a Delaware corporation

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

Exhibit 10.16

The Directors
The Companies
(as specified in the Schedule
to this letter)

12 September 2005

Dear Sirs,

HSBC Bank plc ('the bank') is pleased to offer the two Companies whose names are listed in the Schedule to this letter ('the Companies') banking facilities ('the Facilities') on the terms referred to below but otherwise subject to normal banking terms and conditions.

We recommend that you seek independent advice before accepting the offer in this letter.

Facilities

Drawings may be made under the following Facilities by any of the Companies, provided that the aggregate amount of drawings at any time shall not exceed the relevant Limit.

	Limit
Forward Exchange Contracts and Currency Options	£ 1,500,000
Engagements	£15,000,000

Availability

The bank may at any time withdraw all or any of the Facilities and/or demand repayment of all sums owing. Subject to this, the Facilities are due for review in August 2006.

Security

The repayment and discharge of all monies at any time owing in respect of the Facilities will be secured by all security at any time given to the bank in respect of the liabilities to the bank of the Companies or any of them. The security is required as a secondary source of repayment in the event that the Companies (or any of them) fail to repay the Facilities as set out in this letter.

Without limiting the above, the security listed in the attached Security Schedule is to be held.

All costs, fees and expenses, as mentioned in the General Terms and Conditions attached to this letter, shall be payable by the Company on whose behalf such costs and expenses are incurred, or as otherwise agreed with the bank.

By accepting this offer the Companies agree to provide immediately to the bank upon the bank's request made at any time or times full cash cover in respect of any of the Companies' actual prospective or contingent liabilities owing at any time to the bank including but not limited to such liabilities in respect of the Facilities referred to in this letter.

Conditions Precedent

The Facilities will not become available until the following pre-conditions have been complied with:

- the security mentioned in the Security Schedule shall have been perfected to the bank's satisfaction, of which the bank shall be the sole judge.

- receipt by the bank of a valuation of Factory Site, Ripley Road, Bradford by an independent professional valuer, addressed to the bank, showing a valuation of not less than £3,750,000.

- confirmation that entering into the facility agreement and the completion of the facilities and security will not breach any covenants within existing Facilities between the Borrowers, Powell Industries Inc and Bank of America dated 29 June 2005.

The Facilities shall be subject to the General Terms and Conditions and Security Schedule and the further terms and conditions set out in the Appendices attached to this letter.

Additional Matters

In considering from time to time the continuation of the Facilities, the bank will have particular regard to the matters listed on the attached pages headed "Additional Matters". Regardless of whether such Additional Matters are being observed, the bank may still at any time withdraw all or any of the Facilities and/or demand repayment of all sums owing.

This offer is conditional upon the unqualified acceptance of all of the Companies. However, any Company accepting the letter shall be bound by its terms even though not all of the other Companies may have done so, or be so bound through some defect, informality or insufficiency in their powers.

To accept this offer please arrange for the enclosed copy of this letter to be signed and returned.

When accepting this offer you may wish to facilitate future arrangements by authorising any one of the Companies concerned, or a person holding an official position in one of the Companies or, if applicable, your holding company, as your agent to agree any changes in the arrangements with the bank from time to time. If so, please arrange for the authorisation attached to be signed and returned.

Yours faithfully,

R D N Smalley
Corporate Banking Manager
For and on behalf of HSBC Bank plc.

THE SCHEDULE

Switchgear & Instrumentation Ltd

Switchgear & Instrumentation Properties Ltd

(`the Companies’)

GENERAL TERMS AND CONDITIONS

1 DRAWINGS

Utilisation of the Facilities shall not at any time exceed any of the relevant Limits.

The bank may at any time refuse payment or acceptance of any cheque, bill or other order for payment which would result in any of the Limits being exceeded.

In addition the bank may at any time refuse to allow any drawing or other disposal against any credit balance on any of the Companies' current accounts if, as a result, any of the Limits would be exceeded. This right applies irrespective of whether such Company is indebted to the bank on any other account.

2 UNCLEARED CREDITS

When a credit is uncleared, it may still be included in the balances shown on the relevant Company's account. In such cases, the bank may treat the uncleared credit as deducted from the balance shown on the relevant Company's account for the purposes of working out interest payable and/or the amount available for withdrawal by the relevant Company. It is possible for interest to be charged by the bank on a larger debit balance, or for a lesser amount of money to be available for withdrawal by the relevant Company than is shown as the balance on its account.

The bank may, on occasions, pay or accept any cheque, bill or other order for payment against uncleared credits, without affecting its right not to do so on future occasions.

3 PAYMENT AND APPLICATION OF CREDIT MONIES

Each of the Companies by accepting the terms of this letter irrevocably authorises the bank at any time in its sole discretion, with or without prior notice to that Company, to pay and apply any monies from time to time standing to the credit of any of that Company's accounts with the bank (whether in sterling or any other currency, on current account or on any term or deposit account but not accounts expressly designated as trust accounts) ('the Accounts') in and towards satisfaction of any indebtedness or liability to the bank of it or of any of the other Companies in respect of the Facilities.

In connection with the above each of the Companies further irrevocably authorises the bank to:

(i) bring to an end any fixed deposit period applying to any of the Accounts and to adjust any interest payable by the bank;

(ii) convert one currency to another, and if it does, to do so at its then prevailing spot selling rate of exchange for that currency;

and in doing so each of the Companies agrees that the bank shall have no liability to that Company.

Nothing in this paragraph shall prevent the exercise by the bank at any time of any other right of set-off or of combination of accounts in and towards satisfaction of any indebtedness to the bank in respect of the Facilities.

A Company whose credit balances are paid or applied in satisfaction of any indebtedness or liability of any other Company will become a creditor of that Company but on the basis that any resulting claims of the creditor Company will rank behind those of the bank and any other creditor whose claims are in priority to those of the bank.

4 PAYMENTS

All payments shall be made at such branch or office as the bank may specify from time to time. Such payments shall be made without any set-off or deduction in the currency of denomination in which the payment is due and in such funds as the bank may reasonably require. Payments shall be made on a Business Day and on the due date for such payment or if that day is not a Business Day on the next Business Day.

5 STERLING EQUIVALENTS

The Sterling Equivalent of any amount denominated in another currency shall be calculated by reference to the bank's then prevailing spot selling rate of exchange for the relevant currency of denomination against Sterling. The aggregate Sterling Equivalents of all drawings outstanding and/or proposed will be calculated at such time as the bank shall determine before the drawdown of each drawing, for the purpose of determining compliance or otherwise with the Limits.

6 LIMIT OBSERVANCE

The aggregate amount for the time being (or its Sterling Equivalent where appropriate) of the bank's actual or potential liability or risk in respect of a facility or facilities shall not at any time exceed the relevant Limit. In the case of a potential liability or risk the relevant amount shall be as estimated by the bank.

Where one Limit is specified in respect of more than one type of facility such actual or potential liability or risk in respect of such facilities shall not exceed in the aggregate such Limit.

7 CHARGES FOR DRAWINGS IN EXCESS OF AGREED LIMITS

If any of the Limits are exceeded, the bank may charge interest at higher rate(s) than set out in this letter. In addition to charging higher rate(s) of interest, the bank may charge a daily excess fee for each Business Day that drawings are in excess of the agreed Limits. Details of the rate(s) and the daily excess fee to be charged, if any, are available on request. In addition to charging the above, or as an alternative, the bank may charge management fees if time is spent monitoring the Companies' accounts or the circumstances otherwise require. The bank will advise the amount of these management fees before debiting them to the appropriate Company's relevant account.

8 REPAYMENTS AND DRAWINGS ON THE SAME DAY

Should a drawing be due for repayment by any of the Companies on a day when any of the Companies is entitled to make a drawing, the bank may require the amounts of such drawings to be netted and only the difference in amount (if any) to be paid. Should the relevant drawings be denominated in different currencies, any difference so required will be calculated at such time before such netting as the bank shall determine by the application of the bank's then prevailing spot selling rate of exchange for the currency of denomination due to the bank against the currency of denomination to be drawn by the relevant Company.

9 COSTS

On written demand by the bank the Companies shall be jointly and individually liable to pay to the bank all costs, expenses, fees (including but not limited to any legal, security and valuation fees), stamp duty, taxes and other charges, and registration costs incurred or charged by the bank in connection with the negotiation, preparation, investigation, administration, supervision or enforcement of the Facilities, this letter or any security.

10 ENVIRONMENTAL RESPONSIBILITY

The Companies, by accepting the Facilities, each warrant and represent to the bank that they are in full compliance with all applicable current laws, regulations and practices relating to the protection of the environment from pollution ('the environmental responsibility') and are not aware of any circumstances which may prevent full compliance in the future.

Regardless of whether such warranties and representations are being observed, the bank may still at any time withdraw all or any of the Facilities and/or demand repayment of all sums owing.

The Companies, by accepting the Facilities jointly and individually indemnify the bank against all losses, claims, damages, costs, or any other liability which might arise (by reason of the bank providing these and any other facilities and/or having a security interest in the Companies' assets) in respect of a breach of, or a failure to meet, an environmental responsibility.

11 DEMAND AND NOTICE

Unless otherwise advised by the bank any demand or notice under this letter by the bank may be made or given by any manager or officer of the bank by letter addressed to the Companies' (or any and/or each of them). Such letter may be sent by first class post to or left at the Companies' address last known to the bank or at their registered office, or by fax or other electronic means to their last known fax number or electronic mail address. If sent by post, the demand or notice shall be deemed to have been made or given at noon the day following the day the letter was posted. If sent by fax or other electronic means, the demand or notice shall be deemed to have been made or given at the time of transmission.

12 INFORMATION

The Companies shall provide the bank promptly with such financial or other information as the bank may from time to time reasonably request.

The information that the bank asks for is required to enable it to understand the Companies' financial position to ensure that the Companies are able to meet their obligations set out in this letter.

13 FORCE MAJEURE

The bank shall not be liable to any of the Companies for any loss, damage or delay attributable in whole or part to action by any government or government agency or other force majeure and in particular but not limited to strikes, industrial action, whether involving the bank's staff or not, equipment failure or interruption of power supplies. The bank will always endeavour to give notice generally to customers of any anticipated delays by notices in branches.

14 CERTIFICATES

The bank's certificate of any sum due from any of the Companies under the terms of this letter shall (apart from obvious mistake) be conclusive.

15 BUSINESS DAY

Business Day shall mean a day and time on which the relevant banking offices, exchanges and markets are open for business, both in London and in any relevant financial centre for the currency and transaction involved.

16 TERMS OF THE OFFER

The terms of the offer set out above are (except where otherwise stated or the context otherwise implies) independent of the terms applicable to any other facility afforded by the bank to any or all of the Companies.

17 GOVERNING LAW AND JURISDICTION

The Facilities and all matters (including the terms and conditions) relating to or arising out of or in connection with them shall be subject to and construed in accordance with the laws of England and Wales. The Companies and the bank irrevocably submit to the non-exclusive jurisdiction of the courts of England and Wales.

18 CHANGE OF OWNERSHIP AND CONTROL

Should control of the issued share capital of the Companies or voting rights attached to it be changed or sold or disposed of during the period of the facilities without the bank's written consent, the bank reserves the right in its reasonable discretion to terminate or renegotiate all facilities available to the Companies.

Appendix

FORWARD EXCHANGE CONTRACTS AND CURRENCY OPTION FACILITY

1 DRAWINGS

Utilisations may be made for the purpose of Spot and Forward Foreign Exchange transactions and for currency options.

2 AVAILABILITY

The bank reserves the right at its absolute discretion to decide whether or not any utilisation may be made and to specify conditions only upon compliance with which such utilisation may be made.

3 INTERNATIONAL FOREIGN EXCHANGE MARKET MASTER AGREEMENT ("IFEMA") TERMS INTERNATIONAL CURRENCY OPTIONS MARKET MASTER AGREEMENT ("ICOM") TERMS

Each foreign exchange utilisation shall be deemed to be subject to and shall be subject to the terms of IFEMA and each currency option utilisation shall be deemed to be subject to and shall be subject to the terms of ICOM notwithstanding any non-execution of product documentation (copies of IFEMA and ICOM terms are available from the bank on request). In the event of any conflict between the terms of this Facility Letter and those of IFEMA or ICOM, the terms of IFEMA or ICOM (as appropriate) shall prevail except in respect of any provisions in this Appendix which are expressed to be additional to or in replacement for any relevant IFEMA or ICOM provisions.

While the above option is in force the terms of this Facility Letter and particularly clause 3 above shall continue to apply notwithstanding any pre-existing product documentation unless there is agreement in writing to the contrary.

4 FINANCIAL SERVICES AND MARKETS ACT 2000

No forward purchase or sale of any currency shall be made for investment purposes (as mentioned in article 84 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001) without the prior consent of the bank.

5 CONTRACT PERIODS

Without affecting any of the bank's rights under the terms of this letter the duration of any Foreign Exchange transaction entered into under the above option shall not exceed twelve months.

ENGAGEMENTS FACILITY

1 DRAWINGS

(a) Drawings in respect of the above Facility shall be subject to the bank's current practice from time to time which practice will (on request) be explained as drawings are requested.

(b) The bank reserves the right in its absolute discretion to decide whether or not a drawing may be made under the above Facility, and to specify conditions only upon compliance with which such drawing may be made.

Bonds to be issued to a maximum of 48 months expiry. Requests for Bonds in excess of 48 months to be reviewed on a case by case basis and agreed with the relevant Company in advance of issue.

Bonds with an expiry in excess of 24 months will be issued to a maximum £3,500,000. Requests for the issued of Bonds in excess of this 'sub limit' will be reviewed on a case by case basis and agreed with the relevant Company in advance of issue. This 'sub limit' will be reviewed in March 2006.

2 BILLS AND TERMINATION

Following demand for repayment, the bank may require the relevant Company to pay to the bank monies equivalent in amount to the aggregate of the face value of all outstanding bills accepted, purchased, negotiated or discounted by the bank to meet such bills upon their maturities.

ADDITIONAL MATTERS

Notwithstanding anything contained in the following provisions, such provisions shall be read at all times subject to the paragraph headed “Additional Matters” in the attached letter. Monthly management accounts in a form acceptable to the bank, of which the bank shall be the sole judge, are to be submitted within days of the end of the month to which they relate. Such management accounts are to contain:

- detailed profit and loss account(s),

- - individual/consolidated balance sheet(s),

- - an aged analysis of debtors and creditors,

- a cash flow summary,

- a schedule of stock and work in progress,

- details of order book/contracts awarded,

- - comments on material deviations to budget.

The management accounts will, where applicable, compare actual performance with forecast performance.

Confirmation within Management Information pack that no breaches exist (including any breach that may have been waived) under the Bank of America lending facility dated 29 June 2005. Copies of Compliance Certificates to be furnished.

Quarterly (10-Q) reports to be obtained on Powell Industries Inc.

SECURITY SCHEDULE

The following security is to be held:

Debenture including First Fixed Charge over, among other things, book and other debts, chattels, and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future to be given by Switchgear & Instrumentation Ltd.

Debenture including Fixed Equitable Charge over all present and future freehold and leasehold property; First Fixed Charge over, among other things, book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future to be given by Switchgear & Instrumentation Properties Ltd.

Freehold property known as Factory Site, Ripley Road, Bradford;. First Legal Charge to be given by Switchgear & Instrumentation Properties Ltd.

Unlimited Company Guarantee to secure all liabilities of Switchgear & Instrumentation Ltd to be given by Switchgear & Instrumentation Properties Ltd.

Unlimited Company Guarantee to secure all liabilities of Switchgear & Instrumentation Properties Ltd to be given by Switchgear & Instrumentation Ltd.

Company Guarantee for £10,000,000 to secure all liabilities of Switchgear & Instrumentation Ltd to be given by Powell Industries Inc.

Agreement to postpone repayment of £4,000,000 owing by Switchgear & Instrumentation Ltd and Switchgear & Instrumentation Properties Ltd to Powell Industries Inc to be given to such parties.

ACCEPTANCE BY THE COMPANIES

We, the undersigned Companies, each accept the offer and all the terms and conditions contained in the attached letter dated 12 September 2005.

We each irrevocably authorise the bank to pay and apply our credit monies as mentioned in the letter.

Company	Director/ Secretary	Date of Acceptance	Date of Resolution
Switchgear & Instrumentation Ltd	/s/ Mark W. Reid	10 November 2005	7 November 2005
Switchgear & Instrumentation Properties Ltd	/s/ Mark W. Reid	10 November 2005	7 November 2005

(Signed in each case for and on behalf of the Company, pursuant to a Resolution of the Board of Directors passed on the date specified above).

***AUTHORISATION FOR ANOTHER COMPANY OR PERSON TO AGREE NEW BANKING ARRANGEMENTS IN FUTURE**

We, the undersigned companies, each nominate and authorise:

....Don R. Madison... to agree with you from time to time on behalf of each of us new arrangements relating to our banking facilities.

For the avoidance of doubt and without limitation to the above this authority includes the authority to irrevocably authorise the bank to pay and apply our credit monies, to alter the amount and nature of such facilities and to introduce new companies to, and exclude existing companies from, the companies from time to time party to such facilities.

Company	Director/ Secretary	Date of Authorisation	Date of Resolution
Switchgear & Instrumentation Ltd	/s/ Mark W. Reid	10 November 2005	7 November 2005
Switchgear & Instrumentation Properties Ltd	/s/ Mark W. Reid	10 November 2005	7 November 2005

(Signed in each case for and on behalf of the Company, pursuant to a Resolution of the Board of Directors passed on the date specified above).

* This form of authorisation is optional. Please complete if you would prefer to nominate one Company or individual to agree facilities on behalf of the Companies in future. If an individual is nominated please state title rather than personal name, and include the name of the relevant Company, e.g. `The Managing Director for the time being of .... Limited.'

Exhibit 21.1

SUBSIDIARIES OF POWELL INDUSTRIES, INC.

Name of Subsidiary	Incorporated
Powell Industries, Inc.	Delaware
Powell Electrical Systems, Inc.	Delaware
Transdyn, Inc.	Delaware
Powell Industries International, Inc.	Delaware
Powell Industries Asia, Inc.	Delaware
Powell International Europe B.V.	Netherlands
Switchgear & Instrumentation Ltd	United Kingdom
Switchgear & Instrumentation Properties Ltd	United Kingdom

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 333-63740 of Powell Industries, Inc. (the "Company") on Form S-8 of our report on the consolidated financial statements for the year ended October 31, 2003 dated December 19, 2003 (January 31, 2005 as to the lease expense included in Note K), appearing in the Annual Report on Form 10-K of Powell Industries, Inc. for the year ended October 31, 2005.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
January 17, 2006

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in post-effective amendment No. 1 to the Registration Statement on Form S-8 (No. 333-63740) of Powell Industries, Inc. of our report dated January 13, 2006 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Houston, Texas
January 13, 2006

EXHIBIT 31.1

CERTIFICATION

I, Thomas W. Powell, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 (as defined in Exchange Act Rules 13-15(f) and 15d-15(f)) 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/ Thomas W. Powell

Thomas W. Powell
President and Chief Executive Officer
(Principal Executive Officer)

Date: January 17, 2006

EXHIBIT 31.2

CERTIFICATION

I, Don R. Madison, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 (as defined in Exchange Act Rules 13-15(f) and 15d-15(f)) 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
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: January 17, 2006

EXHIBIT 32.1

**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 the Annual Report (the "Report") of Powell Industries, Inc. (the "Company") on Form 10-K for the year ended October 31, 2005, as filed with the Securities and Exchange Commission on the date hereof, I, Thomas W. Powell, President and 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/ Thomas W. Powell

Thomas W. Powell
President and Chief Executive Officer

Date: January 17, 2006

EXHIBIT 32.2

**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 the Annual Report (the "Report") of Powell Industries, Inc. (the "Company") on Form 10-K for the year ended October 31, 2005, as filed with the Securities and Exchange Commission on the date hereof, I, Don R. Madison, 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
Vice President and Chief Financial Officer

Date: January 17, 2006