

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, 2002

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-6050

POWELL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

NEVADA (State or other jurisdiction of incorporation or organization)	88-0106100 (I.R.S. Employer Identification No.)
8550 MOSLEY DRIVE, HOUSTON, TEXAS (Address of principal executive offices)	77075-1180 (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 "X" whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by "X" 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.

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$180,967,000 as of December 31, 2002. The number of shares of our Common Stock outstanding on that date was 10,595,878 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2003 annual meeting of stockholders to be filed not later than 120 days after October 31, 2002 are incorporated by reference into Part III.

POWELL INDUSTRIES, INC.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes various forward-looking statements regarding the Company which are subject to risks and uncertainties. Forward-looking statements include information concerning future results of operations and financial conditions. Statements that contain words such as "believes," "expects," "anticipates," "intends," "estimates," "continue," "should," "could," "may," "plan," "project," "predict," "will" or similar expressions are forward-looking statements. These forward-looking statements are subject to risks and uncertainties, and many factors could affect the future financial results of the Company. 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.

There are many factors that could cause actual results to differ materially from those in forward-looking statements, some of which are beyond the control of the Company. These factors include, but are not limited to:

Competition and Pricing Pressures. We operate in an intensely competitive environment, and many of our competitors are significantly larger and have substantially greater resources than we do. Some of our competitors seek to employ competitive and management strategies similar to those of Powell. As a result, our competitive standing may be expected to vary from time to time and among different markets.

Sensitivity to General Economic and Industry Conditions. Our markets are cyclical in nature and subject to general trends in the economy. Our profitability and cash flow availability could be adversely affected by any prolonged economic downturn.

International Sales. International sales accounted for approximately 9% of our net sales in fiscal 2002. As a result of our international sales and operations, we are subject to the risk of fluctuation in currency exchange rates. International instability from war or terrorism, and unforeseen political or economic problems in countries that we export product to could adversely affect our business.

Raw Materials. Our raw material costs represented approximately 48% of our net sales in fiscal 2002. 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.

Acquisitions. Our business strategy calls for growth and diversification. Pursuing acquisition opportunities and attempting to integrate and manage acquired businesses could require significant resources, including management time and skill, and these efforts may detract from the management or operation of other businesses. Acquired businesses may not perform as expected, thereby causing our actual operating results to suffer.

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, TX, 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 Nevada in 1968 and is the successor to a corporation 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 Manufacturing Company; Powell Power Electronics Company, Inc.; Powell-ESCO Company; Unibus, Inc.; Delta-Unibus Corporation; and Transdyn Controls, Inc.

PRODUCTS AND SEGMENTS

We manage our business through operating subsidiaries, which are combined into three reportable business segments: Switchgear and related equipment ("Switchgear"), Bus Duct, and Process Control Systems. Financial information related to these business segments is included in Note L of the Notes to Consolidated Financial Statements.

A brief description of our products and business segments follows:

Switchgear and related equipment. Switchgear is an electrical power management system comprised of electrical components housed in metal cubicles designed to monitor and control the flow of electricity and to provide protection to motors, transformers, and other electrically powered equipment. Our switchgear is designed to be free standing for indoor installations, housed in outdoor enclosures or integrated into customized transportable buildings. We design and manufacture systems ranging from 480 volts to in excess of 36,000 volts to serve the transportation, industrial, and utility industries.

Bus Duct. Bus duct is a series of metal conductors protected by a metal enclosure. Our bus duct is designed to distribute large amounts of electrical energy between a generator, transformer, switching device, or other electrical apparatus, typically requiring custom configurations. We design and manufacture isolated phase, segregated phase, and non-segregated phase bus duct in numerous amperage and voltage ratings for power generation and industrial applications.

Process Control Systems. Process control systems are customized management systems designed to monitor and control a complex sequence of critical events. Our systems are an integration of instrumentation, computer controls, communications equipment, and data management systems. We design and build systems to serve the transportation, environmental, industrial, utility, and governmental sectors.

CUSTOMERS AND MARKETS

Our products and services are principally sold directly or through agents to the end-user or to an EPC (engineering, procurement, and construction) firm on behalf of the end-user. We market our products and services to a wide variety of customers, markets and geographic regions; as a result, we are not dependent on any one customer or market for sales.

During the past three fiscal years, we did not have any one customer or export country that accounted for more than 10% of our consolidated revenues. The loss of any specific customer would not have a material adverse effect on our business; however, a significant reduction in business volume from a market segment could.

Our principal products are designed for use by and marketed to sophisticated users of large amounts of electrical energy or complex processes. Our markets 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.

Our export revenues were \$28.0 million, \$21.4 million, and \$44.4 million in fiscal years 2002, 2001 and 2000, respectively. The geographic areas in which these revenues were recorded are included in Note H of the Notes to Consolidated Financial Statements.

COMPETITION

We operate in an intensely competitive environment. Many of our competitors are significantly larger and have substantially greater resources than we do. However, we believe that we are a significant competitor in each of our principal markets.

Our products and systems are custom designed to meet the specifications of our customers. Each order is designed and manufactured to the unique requirements of the installation. We consider our engineering and manufacturing 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 our backlog at October 31, 2002, totaled \$189.4 million, of which we anticipate that approximately \$165.0 million will be fulfilled during our fiscal year 2003. A year ago, our backlog of orders totaled \$208.9 million.

Orders included in our backlog are represented by customer purchase orders and contracts, which we believe to be firm. Under certain circumstances, penalties are included as a term of order acceptance to minimize our risk of cancellation. In the past, we have not experienced a material amount of cancelled orders.

RAW MATERIALS AND SUPPLIERS

The principal raw materials used in our operations are generally readily available. We did not experience significant or unusual problems in the purchase of key raw materials and commodities in fiscal year 2002. While we are not dependent on any one supplier for a material amount of our raw materials, we are highly dependent on our suppliers and subcontractors in order to meet commitments to our customers.

We maintain a qualification and performance surveillance process to control risk associated with our components and electrical items that are procured on a sole-source basis. 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 2003.

EMPLOYEES

We had approximately 1,495 full-time employees at October 31, 2002, located throughout the United States. Of the total number of employees, approximately 4% are represented by trade unions. We believe that our relationship with our employees and trade unions is good.

RESEARCH AND DEVELOPMENT

Our research activities are directed toward the discovery and development of new products and processes as well as improvements in existing products and processes. Research and development expenditures were \$3.4 million, \$3.1 million, and \$2.9 million in our fiscal years 2002, 2001, and 2000, respectively.

ITEM 2. PROPERTIES

We have over 10 locations consisting of manufacturing facilities, sales offices, and repair centers. 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 and planned expansions, are expected to meet our needs for the foreseeable future.

Our principal manufacturing locations by segment as of October 31, 2002, are as follows:

APPROXIMATE SQUARE FOOTAGE NUMBER -	LOCATION OF
-----	-----
FACILITIES ACRES OWNED LEASED - ---	-----
-----	-----
-----	SWITCHGEAR: Houston,
TX.....	TX.....
2 68.2 430,600 --	Greenville,
TX.....	1
19.0 109,000 --	North Canton,
OH.....	1
8.0 72,000 --	Watsonville,
CA.....	1 -
- 9,600	BUS DUCT: Elyria,
OH.....	OH.....
1 8.6 64,000 --	Northlake,
IL.....	1
10.0 103,500 --	PROCESS CONTROL
SYSTEMS: Pleasanton,	
CA.....	1
-- 39,100	Duluth,
GA.....	GA.....
1 -- 29,700	

We own one idle facility located in Franklin Park, Illinois which consists 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 \$1.5 million book value is included in other current assets at October 31, 2002. Prior to the construction of our new facility in Northlake, Franklin Park was used to manufacture our isolated phase bus duct product line.

ITEM 3. LEGAL PROCEEDINGS

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

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 2002.

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 of our common stock.

HIGH	LOW	FISCAL YEAR 2001:	
Quarter.....	14.13	9.50	First
Quarter.....	17.85	13.31	Second
Quarter.....	32.66	17.85	Third
Quarter.....	28.50	17.06	Fourth
FISCAL YEAR 2002:			
Quarter.....	26.09	16.61	First
Quarter.....	24.49	18.84	Second
Quarter.....	25.80	17.00	Third
Quarter.....	19.49	14.75	Fourth

As of October 31, 2002, the last reported sales price of our common stock on the NASDAQ National Market was \$15.71 per share. As of October 31, 2002, there were 709 stockholders of record of our common stock.

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

DIVIDEND POLICY

We currently intend to retain earnings for use in our business; therefore, we do not anticipate paying cash dividends in the foreseeable future. We have never declared or paid cash dividends on our capital stock. In the future, the decision to pay cash dividends will depend upon our results of operations, financial condition and capital expenditure plans, as well as other factors in which our Board of Directors, in its sole discretion, may consider relevant.

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 "Business Risks", "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.

YEAR ENDED OCTOBER 31, -----	-----	-----	-----	-----	-----
-----	2002	2001	2000	1999	1998
-----	-----	-----	-----	-----	-----
-----	AMOUNTS IN				
THOUSANDS, EXCEPT PER SHARE DATA	Statements of				
Operations:					
Revenues.....	\$306,403	\$271,243	\$223,019	\$212,531	\$212,733
Cost of goods sold.....	238,745	214,446	182,340	172,353	164,944

	Gross				
profit.....	67,658				
Selling, general and administrative expenses.....	56,797	40,679	40,178	47,789	38,997
	29,841	29,354	30,805		

	Earnings before interest and income				
taxes.....	28,661	21,790	10,838	10,824	16,984
	Earnings from continuing				
operations.....	17,905	13,542	7,061		
Loss from discontinued operations (net of income taxes).....	7,127	11,465			

	(4,800)				

	Net				
earnings.....	\$				
	17,905	\$ 13,542	\$ 7,061	\$ 7,127	\$ 6,665
	=====				
	Diluted earnings				
per share.....	1.67	1.28	.67	.66	
	.62				

AS OF OCTOBER 31, -----	-----	-----	-----	-----
-----	2002	2001	2000	1999
-----	-----	-----	-----	-----
-----	AMOUNTS IN THOUSANDS, EXCEPT PER SHARE			
DATA	Balance Sheet Data: Cash and cash			
equivalents.....	\$			
	14,362	\$ 6,520	\$ 2,114	\$ 10,646
	\$ 601			
	Property, plant and equipment,			
net.....	45,020	37,409	31,383	

	33,286	32,311	Total	

	assets.....			
	189,643	186,361	137,926	127,531
	Long-term debt and capital lease obligations, including current			
maturities.....	12,010			
	22,714	7,143	9,572	13,000
	Total stockholders'			
equity.....	128,207			
	109,369	94,087	90,772	83,336
	Total liabilities and stockholders'			
equity.....	189,643	186,361	137,926	

	127,531	127,131		

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are pleased to report to you our financial condition and results of operations. During our fiscal year 2002, Powell Industries achieved record revenues of \$306.4 million, a 13% increase from fiscal 2001, and net earnings grew 32% to \$17.9 million. The following discussion should be read in conjunction with the accompanying consolidated financial statements and related notes.

In the course of operations, we are subject to certain risk factors, including but not limited to competition and competitive pressures, sensitivity to general economic and industry conditions, international political and economic risks, availability and price of raw materials and execution of business strategy, as more fully described above in our "Cautionary Statement Regarding Forward Looking Statements." 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.

RESULTS OF OPERATIONS

REVENUE AND GROSS PROFIT

Revenues increased 13% to a record \$306.4 million in fiscal 2002 as compared to fiscal year 2001. Revenues in fiscal 2001 were \$271.2 million, an increase of 22% over fiscal 2000 revenues of \$223.0 million. Our electrical power products, which consist of the Switchgear and Bus Duct segments, recorded revenues in fiscal 2002 of \$283.6 million compared to \$244.8 million in fiscal 2001 and \$193.7 million in fiscal 2000.

During fiscal 2002, one aspect of our revenue growth was due to new worldwide investments in oil & gas production facilities. Furthermore, demand for additional electrical power generation capacities in the United States strengthened over the expansion realized in fiscal 2001. Revenues in our Process Control Systems segment were \$22.8 million compared to \$26.4 million in fiscal 2001 and \$29.3 million in fiscal 2000. For additional information related to our business segments, see Note L of the Notes to Consolidated Financial Statements.

International revenues increased in fiscal 2002 following a decline in the previous two years. Revenues outside of the United States accounted for 9% of consolidated revenues in fiscal 2002 compared to 8% and 20% in fiscal 2001 and 2000, respectively.

Gross profit, as a percentage of revenues, improved to 22.1% in fiscal 2002, compared to 21.0% and 18.2% in fiscal years 2001 and 2000, respectively. Higher production volumes, improved operating efficiencies, along with the quality of our backlog have all contributed to the improvement in gross profit. We continue to implement lean manufacturing initiatives to reduce costs and respond to the competitive markets that we serve.

OPERATING EXPENSES

Selling, general and administrative expenses, including research and development expenditures, were \$39.0 million (12.7% of revenues) in fiscal 2002 compared to \$35.0 million (12.9% of revenues) and \$29.8 million (13.4% of revenues) in fiscal years 2001 and 2000, respectively. Increases in operating expenses are largely due to the growth in business volumes during the same periods.

We have continued to invest in research activities. Research and development expenditures were \$3.4 million in fiscal 2002 compared to \$3.1 million and \$2.9 million in fiscal years 2001 and 2000, respectively. Our research efforts are directed toward the discovery and development of new products and processes as well as improvements in existing products and processes.

INTEREST INCOME AND EXPENSE

Net interest expense decreased to \$210 thousand in fiscal 2002 from \$359 thousand in fiscal 2001 due to lower levels of debt. Interest expense is related to our revolving credit facility and long-term debt which is partially offset by interest income from short-term investments. Fiscal 2000 resulted in net interest income of \$44 thousand.

PROVISION FOR INCOME TAXES

Our provision for income taxes reflects an effective income tax rate on earnings before income taxes of 37.1% in fiscal 2002 compared to 36.8% in fiscal 2001. The increase in our effective tax rate is primarily a result of higher state taxes and is also partly attributable to increases in non-deductible expenses.

NET EARNINGS

Net earnings were \$17.9 million, or \$1.67 per diluted share, in fiscal year 2002 compared to \$13.5 million, or \$1.28 per diluted share, and \$7.1 million, or \$0.67 per diluted share, in fiscal years 2001 and 2000, respectively. Growth in business volume and increased gross profits resulted in earnings improvement in fiscal 2002 and fiscal 2001. In fiscal 2000 we incurred additional costs on a major project in our Process Control Systems segment which decreased earnings in the period.

LIQUIDITY AND CAPITAL RESOURCES

We have maintained a strong liquidity position. Working capital was \$86.5 million at October 31, 2002 compared to \$89.0 million at October 31, 2001. As of October 31, 2002, current assets exceeded current liabilities by nearly 2.7 times and our debt to capitalization ratio was less than 0.1 to 1.

Cash and cash equivalents were \$14.4 million at October 31, 2002, an increase of 120% over year end 2001. Long-term debt, including current maturities, totaled \$12.0 million at October 31, 2002 compared to \$22.7 million at October 31, 2001. In addition to our long-term debt, we have a \$25.0 million revolving credit agreement expiring February 2005. As of October 31, 2002, there were no borrowings under this line of credit. For further information regarding our debt, see Note F of the Notes to Consolidated Financial Statements.

OPERATING ACTIVITIES

Net cash provided by operating activities was \$31.7 million in fiscal 2002. A net reduction in operating assets and liabilities provided \$8.7 million with the remainder of the increase related to net earnings adjusted for non-cash costs such as depreciation and amortization. During fiscal 2001, operating activities used \$2.1 million primarily due to growth in working capital associated with higher production volumes.

INVESTING ACTIVITIES

Cash used for the purchase of property, plant and equipment during fiscal 2002 increased to \$13.9 million, as compared to \$10.3 million in fiscal 2001. During 2002, we completed a new facility in Northlake, IL for the manufacture of our isolated phase bus duct product line. The expansion of our North Canton, OH facility, which is used in the manufacture of our Switchgear product lines, was also completed. Capital expenditures also supported process improvements throughout our manufacturing operations.

FINANCING ACTIVITIES

Financing activities used \$10.0 million in fiscal 2002. Approximately \$10.7 million was used for net repayments on our revolving line of credit and our long-term debt. Other financing activities were limited to the exercise of stock options. During fiscal 2001, net cash provided by financing activities was \$16.8 million, primarily from increases in long-term debt.

OUTLOOK FOR FISCAL 2003

Due to the current economic environment and the outlook for the markets we serve, we anticipate consolidated revenues to decrease in 2003 by 5% to 10%. Our revenue growth in 2001 and 2002 was due to worldwide investments in oil and gas production facilities and electrical power generation capacities. We anticipate new investments in oil and gas facilities to strengthen our export sales during the coming year. However, additional investments in power generation facilities are expected to soften during 2003.

For the fiscal year 2003, we expect full year earnings from continuing operations to range between \$1.50 and \$1.60 per diluted share. Based on initial tests, we expect to record a pre-tax goodwill impairment charge of approximately \$800 thousand. The impairment charge will be recorded as a cumulative effect of a change in accounting principle as of November 1, 2002.

We will continue to invest in our manufacturing capabilities and expect capital expenditures during fiscal year 2003 to range between \$8.0 million and \$12.0 million. Of this amount, approximately \$4.0 million will be needed to complete a project to increase our manufacturing capacity available for the manufacture of electrical power control modules. These modules are provided to the oil and gas industry for use on offshore platforms. This project was initiated during 2002 and will be completed by the middle of 2003.

As a result of our internal operating efficiencies, cost containment, and low levels of debt, we anticipate that our cash position will continue to grow during 2003. We believe that working capital, borrowing capabilities, and funds generated from operations should be sufficient to finance anticipated operational activities, capital improvements, debt repayment and possible future acquisitions for the foreseeable future.

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 us to make estimates and judgments with respect to the selection and application of accounting policies 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 critical accounting policy has the greatest impact on the preparation of our consolidated financial statements.

REVENUE RECOGNITION

We recognize revenues from product sales upon transfer of title at the time of shipment or delivery according to terms of the contract, when all significant contractual obligations have been satisfied, the price is fixed or determinable, and collectibility is reasonably assured. Contract revenues are recognized on a percentage-of-completion basis primarily using the ratio of labor dollars or hours incurred to date to total estimated labor dollars or hours to measure the stage of completion. Contract costs include direct material and labor, and certain indirect costs. Revenues are not recognized on change orders until customer approval is obtained. Provisions for total estimated losses on uncompleted contracts are recorded in the period in which such losses are estimable. Conditions such as changes in job performance, job conditions, estimated contract costs and profitability may result in revisions to original assumptions in the period in which the change becomes evident. Thus, actual results could differ from original assumptions, resulting in a different outcome for profits or losses than anticipated.

NEW ACCOUNTING STANDARDS

In June 1998 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 -- "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, which amended the effective adoption date of SFAS No. 133. This statement establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. We adopted SFAS No. 133, as amended, on November 1, 2000. As of October 31, 2002, we have recorded a liability of \$136 thousand representing the fair value of our interest rate swap agreement which is used as a cash flow hedge in the management of interest rate exposure. We also realized this amount, net of income taxes, as a component of comprehensive income.

In June 2001, the FASB issued SFAS Nos. 141 "Business Combinations" and 142 "Goodwill and Other Intangible Assets". SFAS No. 141 requires that all business combinations completed after June 30, 2001 be accounted for using the purchase method. The adoption of SFAS No. 141 did not have a material impact on our financial statements. SFAS No. 142 requires that goodwill no longer be amortized but be subject to an annual assessment for impairment based on a fair value test. In addition, acquired intangible assets are required to be separately recognized if the benefit to the asset is based on contractual or legal rights. SFAS No. 142 requires an initial impairment test of the carrying value of goodwill in the year of adoption. We adopted SFAS No. 142 on November 1, 2002 and have completed this initial impairment test. Based on this initial test, we expect to record a pre-tax goodwill impairment charge of approximately \$800 thousand in the first quarter of 2003. The impairment charge will be recorded as a cumulative effect of a change in accounting principle as of November 1, 2002. At October 31, 2002, net goodwill was \$918 thousand and the annual amortization of such goodwill was \$143 thousand, which had an impact on earnings per diluted share of \$0.01.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. We do not believe that the adoption of SFAS No. 144 will have a material impact on our financial statements.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement rescinds SFAS No. 4,

"Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that statement, SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers," and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This statement amends SFAS No. 13, "Accounting for Leases," to eliminate inconsistencies between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects which are similar to sale-leaseback transactions. Also, this statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Provisions of SFAS No. 145 related to the rescission of SFAS No. 4 were effective for the Company on November 1, 2002 and provisions affecting SFAS No. 13 were effective for transactions occurring after May 15, 2002. We do not believe that the adoption of SFAS No. 145 will have a material impact on our financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement covers restructuring type activities beginning with plans initiated after December 31, 2002. Activities covered by this standard that are entered into after that date will be recorded in accordance with the provisions of SFAS No. 146. Management does not believe there will be a significant impact on our consolidated financial position or results of operations.

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.

We manage our exposure to changes in interest rates by optimizing the use of variable and fixed rate debt and an interest rate hedge. A 1.0% increase in interest rates would result in an annual increase in interest expense of less than \$100 thousand. We believe that changes in interest rates will not have a material near-term impact on our future earnings or cash flows. For additional information regarding our long-term debt agreements, interest rates and maturities, see Note F of the Notes to Consolidated Financial Statements.

We manage our exposure to changes in foreign exchange rates primarily through arranging compensation in U.S. dollars. Risks associated with changes in commodity prices are primarily managed through utilizing contracts with suppliers. Risks related to foreign exchange rates and commodity prices are monitored and actions could be taken to hedge these risks in the future. We believe that fluctuations in foreign exchange rates and commodity prices will not have a material near-term effect on our future earnings and cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Powell Industries, Inc. and subsidiaries (the "Company") as of October 31, 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. 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. The consolidated balance sheet of the Company as of October 31, 2001 and the consolidated statements of operations, stockholders' equity and cash flows for the two years in the period ended October 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated November 29, 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 2002 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of October 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Houston, Texas
December 6, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Powell Industries, Inc. (a Nevada corporation) and subsidiaries as of October 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for the three years in the period ended October 31, 2001. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Powell Industries, Inc. and subsidiaries as of October 31, 2001 and 2000, and the consolidated results of operations and their cash flows for each of the three years in the period ended October 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas
November 29, 2001

This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with our filing on Form 10-K for the year ended October 31, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with this filing on Form 10-K.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

OCTOBER 31,	-----	2002	2001	-----
-- ASSETS				
Current Assets: Cash and cash equivalents.....		\$ 14,362	\$ 6,520	
Accounts receivable, less allowance for doubtful accounts of \$1,209 and \$551, respectively.....		69,521	76,592	
Costs and estimated earnings in excess of billings.....		32,828	36,164	
Inventories.....		19,558	21,425	
Deferred income taxes and income taxes receivable.....	--	1,043		
Prepaid expenses and other current assets.....		2,230	835	
Total Current Assets.....		138,499	142,579	
Property, plant and equipment, net.....		45,020	37,409	
Deferred income taxes.....		589		
Other assets.....		1,064		
Total Assets.....		5,535	5,309	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities: Current maturities of long-term debt and capital lease obligations.....		\$ 4,746	\$ 1,429	
Accounts and income taxes payable.....		15,030	18,857	
Accrued salaries, bonuses and commissions.....		9,774	9,670	
Billings in excess of costs and estimated earnings.....		13,478	14,858	
Accrued product warranty.....		2,123	1,860	
Other accrued expenses.....		6,882	6,924	
Total Current Liabilities.....		52,033	53,598	
Long-term debt and capital lease obligations, net of current maturities.....		7,264	21,285	
Deferred compensation expense.....		1,522	1,404	
Other liabilities.....		617	705	
Total Liabilities.....		61,436	76,992	
Commitments and contingencies				
Stockholders' Equity: Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued				
Common stock, par value \$.01; 30,000,000 shares authorized; 10,979,000 and 10,964,000 shares issued, respectively; 10,595,000 and 10,434,000 shares outstanding, respectively.....		110	109	
Additional paid-in capital.....		8,345	8,680	
Retained earnings.....		125,872	107,967	
Treasury stock, 383,920 shares and 530,100 shares\ respectively, at cost.....		(3,925)	(4,887)	
Accumulated other comprehensive (loss): fair value of interest rate swap.....		(87)	(140)	
Deferred compensation-ESOP.....		(2,108)	(2,360)	
Total Stockholders' Equity.....		128,207	109,369	
Total Liabilities and Stockholders' Equity.....		\$189,643	\$186,361	

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)

YEAR ENDED OCTOBER 31,	-----		2002	
	2001	2000	-----	-----
Revenues.....				
	\$306,403	\$271,243	\$223,019	Cost of goods
sold.....			238,745	
	214,446	182,340	-----	Gross
profit.....				
	67,658	56,797	40,679	Selling, general & administrative
expenses.....			38,997	35,007
			29,841	-----
			-----	Earnings before interest and income
taxes.....			28,661	21,790
			10,838	Interest
expense (income), net.....				210
	(44)	-----	-----	Earnings before income
taxes.....			28,451	21,431
			10,882	
				Income tax
provision.....				10,546
	7,889	3,821	-----	Net
earnings.....				\$
17,905	\$ 13,542	\$ 7,061	=====	=====
			=====	Earnings
				per common share:
Basic.....				\$
			1.70	\$ 1.30
				\$.68
Diluted.....				
	1.67	1.28	.67	Weighted average number of common shares
outstanding.....			10,511	10,381
			10,451	=====
			=====	Weighted average number of common and common
				equivalent shares
outstanding.....				10,698
	10,600	10,530	=====	=====

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 COMMON STOCK	
ADDITIONAL INCOME -----	
PAID-IN RETAINED (LOSS) SHARES AMOUNT	
CAPITAL EARNINGS -----	
----- Balance,	
November 1, 1999.....	
10,675 \$107 \$6,043 \$ 87,364 Net	
earnings.....	
7,061 7,061 Amortization of deferred	
compensation-	
ESOP..... Exercise of	
stock options..... 146 1	
692 Income tax benefit from stock	
options	
exercised.....	
95 Purchases of Treasury	
Stock..... -----	
- ----- Comprehensive	
Income..... \$	
7,061 ===== Balance, October 31,	
2000..... 10,821 108	
6,830 94,425 Net	
earnings.....	
13,542 13,542 Amortization of deferred	
compensation-	
ESOP..... Change in	
value of interest rate swap, net of	
\$82 income taxes..... (140)	
Exercise of stock	
options..... 143 1 1,400	
Income tax benefit from stock options	
exercised.....	
450 Purchases of Treasury	
Stock..... -----	
- ----- Comprehensive	
Income.....	
\$13,402 ===== Balance, October 31,	
2001..... 10,964 109	
8,680 107,967 Net	
earnings.....	
17,905 17,905 Amortization of deferred	
compensation-	
ESOP..... Change in	
value of interest rate swap, net of	
\$33 income taxes..... 53	
Exercise of stock	
options..... 15 1 (211)	
Income tax benefit from stock options	
exercised.....	
(124) -----	
--- Comprehensive	
Income.....	
\$17,958 ===== Balance, October 31,	
2002..... 10,979 \$110	
\$8,345 \$125,872 =====	
=====	
ACCUMULATED OTHER COMPREHENSIVE	
DEFERRED TREASURY INCOME COMPENSATION	
STOCK (LOSS) ESOP TOTAL -----	

Balance, November 1,	
1999..... \$ -- \$ --	
\$(2,742) \$ 90,772 Net	
earnings.....	
7,061 Amortization of deferred	
compensation-	
ESOP..... 135 135	
Exercise of stock	
options..... 693 Income tax	
benefit from stock options	
exercised.....	
95 Purchases of Treasury	
Stock..... (4,669) (4,669) --	

Comprehensive

Income.....			
Balance, October 31,			
2000.....	(4,669)	--	
	(2,607)	94,087	Net
earnings.....			
13,542 Amortization of deferred			
compensation-			
ESOP.....	247	247	
Change in value of interest rate swap,			
net of \$82 income			
taxes.....	(140)	(140)	
Exercise of stock			
options.....	1,401	Income	
tax benefit from stock options			
exercised.....			
450 Purchases of Treasury			
Stock.....	(218)	(218)	-----
- - - - -			Comprehensive
Income.....			
Balance, October 31,			
2001.....	(4,887)	(140)	
	(2,360)	109,369	Net
earnings.....			
17,905 Amortization of deferred			
compensation-			
ESOP.....	252	252	
Change in value of interest rate swap,			
net of \$33 income			
taxes.....	53	53	Exercise
of stock options.....	962		
752 Income tax benefit from stock			
options			
exercised.....			
(124) -----			
Comprehensive			
Income.....			
Balance, October 31,			
2002.....	\$(3,925)	\$	
(87) \$(2,108) \$128,207 =====			=====
=====			=====

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

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

YEAR ENDED OCTOBER 31, -----	2002	2001	2000	-----	-----	-----	Operating
							Activities: Net
earnings.....	\$						
17,905	\$ 13,542	\$ 7,061					Adjustments to reconcile net
							earnings to net cash provided by operating activities:
Depreciation and amortization.....							
4,898	4,381	4,669					Loss on disposition of
							assets.....
68	85	--					Deferred
							income tax provision.....
140	1,029						
							Changes in operating assets and liabilities:
							Accounts receivable, net.....
7,071	(22,387)	(11,202)					Costs and estimated earnings
							in excess of
							billings.....
							3,336
							(11,872) (8,101)
							Inventories.....
1,867	(3,902)	(2,350)					Prepaid expenses and other
							current assets.....
110	(8)	968					Other
							assets.....
(436)							
(359)	(177)						Accounts payable and income taxes payable
							or receivable.....
							(2,907) 2,903 5,546
							Accrued
							liabilities.....
659	4,514						
							Billings in excess of costs and estimated
							earnings.....
(1,380)	9,543	1,110					Deferred compensation
							expense.....
370	410	250					Other
							liabilities.....
(35)	64						
(16)							Net cash provided by
							(used in) operating
							activities.....
31,666							
(2,057)	522						Investing
							Activities: Purchases of property, plant and
							equipment.....
(13,872)	(10,291)	(2,648)					
							Net cash used in investing
							activities.....
(13,872)	(10,291)	(2,648)					
							Financing Activities: Borrowings
							on revolving line of credit.....
14,450							
31,950	--						Repayments on revolving line of
							credit.....
(23,450)	(31,950)	--					Borrowing
							on long-term debt.....
--							
17,000	--						Repayments of long-term debt and capital
							lease
							obligations.....
(1,704)	(1,429)	(2,430)					Payments to reacquire common
							stock.....
--	(218)	(4,669)					Proceeds
							from exercise of stock options.....
752							
1,401	693						Net cash provided
							by (used in) financing
							activities.....
(9,952)							
16,754	(6,406)						Net increase
							(decrease) in cash and cash equivalents.....
7,842							
4,406	(8,532)						Cash and cash equivalents at beginning
							of year.....
6,520	2,114	10,646					
							Cash and cash equivalents at end of
							year.....
\$ 14,362	\$ 6,520	\$ 2,114					
							Supplemental disclosures of
							cash flow information: Cash paid during the period
							for:
							Interest.....
\$ 566	\$ 673	\$ 638					
							Taxes.....
\$ 8,200	\$ 6,225	\$ 3,200					
							Non-cash investing and financing activities: Change in
							fair value of interest rate swap, net of \$33, \$82, and
							\$0 income taxes, respectively.....
\$ 53	\$						
(140)	\$ --						

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, TX, 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 Nevada in 1968 and is the successor to a corporation 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 Manufacturing Company; Powell Power Electronics Company, Inc.; Powell-ESCO Company; Unibus, Inc.; Delta-Unibus Corporation; and Transdyn Controls, Inc.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Powell Industries, Inc. and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

We consider all deposits with banks and highly liquid investments purchased with an original maturity of less than three months to be cash equivalents.

ACCOUNTS RECEIVABLE AND MARKET RISK

Our receivables are generally not collateralized. We perform ongoing credit analyses of the accounts of our customers and provide allowances as deemed necessary. Accounts receivable includes retention amounts of \$7.8 million and \$7.9 million at October 31, 2002 and 2001, respectively. Retention amounts are in accordance with applicable provisions of engineering and construction contracts and become due upon completion of contractual requirements. Approximately \$540 thousand of the retained amount at October 31, 2002 is expected to be collected subsequent to October 31, 2003.

COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS

Costs and estimated earnings in excess of billings 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 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. The amounts recorded involve the use of judgments and estimates; thus, actual recoverable amounts could differ from original assumptions.

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out or weighted average method) or market and include the cost of material, labor and manufacturing overhead.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 statement of operations.

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," we evaluate the recoverability of property, plant and equipment and other assets, if facts and circumstances indicate that any of those assets might be impaired. An evaluation compares the estimated future undiscounted cash flows associated with the asset to the asset's book value to determine if the asset is impaired. Any impairment would be recognized as an expense. No impairment charges were recorded in fiscal years 2002, 2001 or 2000. As of November 1, 2002, we adopted SFAS No. 144 as discussed in this Note under "New Accounting Standards."

INTANGIBLE ASSETS

Included in other assets are net intangible assets totaling \$1.5 million and \$1.5 million at October 31, 2002 and 2001, respectively. Intangible assets primarily include goodwill and patents which are amortized using the straight-line method over periods ranging from five to twenty years. The accumulated amortization of intangible assets totaled \$1.7 million and \$1.5 million at October 31, 2002 and 2001, respectively.

We adopted SFAS No. 142 on November 1, 2002. This statement requires that goodwill no longer be amortized but be subject to an annual assessment for impairment based on a fair value test. Goodwill amortization expense was \$143 thousand, \$145 thousand, and \$146 thousand for fiscal years 2002, 2001, and 2000, respectively. Amortization expense for all other intangibles was \$67 thousand, \$83 thousand, and \$74 thousand for 2002, 2001, and 2000, respectively.

INCOME TAXES

We account for income taxes using SFAS No. 109 "Accounting for Income Taxes." Under SFAS No. 109, deferred income tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using enacted tax rates. Under this standard, the effect on deferred income taxes of a change in tax rates is recognized in income in the period that the tax rate changes.

REVENUE RECOGNITION

Revenues from product sales are recognized upon transfer of title at the time of shipment or delivery according to terms of the contract, when all significant contractual obligations have been satisfied, the price is fixed or determinable, and collectibility is reasonably assured. Contract revenues are recognized on a percentage-of-completion basis primarily using the ratio of labor dollars or hours incurred to date to total estimated labor dollars or hours to measure the stage of completion. Contract costs include direct material and labor, and certain indirect costs. Provisions for total estimated losses on uncompleted contracts are recorded in the period in which such losses are estimable.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 \$3.4 million, \$3.1 million, and \$2.9 million in fiscal years 2002, 2001 and 2000, respectively.

NEW ACCOUNTING STANDARDS

In June 1998 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 -- "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, which amended the effective adoption date of SFAS No. 133. This statement establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. We adopted SFAS No. 133, as amended, on November 1, 2000. As of October 31, 2002, we have recorded a liability of \$136 thousand representing the fair value of our interest rate swap agreement which is used as a cash flow hedge in the management of interest rate exposure. We also realized this amount, net of income taxes, as a component of comprehensive income.

In June 2001, the FASB issued SFAS Nos. 141 "Business Combinations" and 142 "Goodwill and Other Intangible Assets". SFAS No. 141 requires that all business combinations completed after June 30, 2001 be accounted for using the purchase method. The adoption of SFAS No. 141 did not have a material impact on our financial statements. SFAS No. 142 requires that goodwill no longer be amortized but be subject to an annual assessment for impairment based on a fair value test. In addition, acquired intangible assets are required to be separately recognized if the benefit to the asset is based on contractual or legal rights. SFAS No. 142 requires an initial impairment test of the carrying value of goodwill in the year of adoption. We adopted SFAS No. 142 on November 1, 2002 and have completed this initial impairment test. Based on this initial test, we expect to record a pre-tax goodwill impairment charge of approximately \$800 thousand in the first quarter of 2003. The impairment charge will be recorded as a cumulative effect of a change in accounting principle as of November 1, 2002. At October 31, 2002, net goodwill was \$918 thousand and the annual amortization of such goodwill was \$143 thousand, which had an impact on earnings per diluted share of \$0.01.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. We do not believe that the adoption of SFAS No. 144 will have a material impact on our financial statements.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that statement, SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers," and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This statement amends SFAS No. 13, "Accounting for Leases," to eliminate inconsistencies between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Also, this statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Provisions of SFAS No. 145 related to the rescission of SFAS No. 4 were effective for the Company on November 1, 2002 and provisions affecting SFAS No. 13 were effective for transactions occurring after May 15, 2002. We do not believe that the adoption of SFAS No. 145 will have a material impact on our financial statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement covers restructuring type activities beginning with plans initiated after December 31, 2002. Activities covered by this standard that are entered into after that date will be recorded in accordance with the provisions of SFAS No. 146. Management does not believe there will be a significant impact on our consolidated financial position or results of operations.

C. 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, -----	2002	2001	2000	
--- 2002 2001 2000 -----				
Numerator: Numerator for basic and diluted earnings per share -- earnings from continuing operations available to common stockholders.....	\$17,905	\$13,542	\$ 7,061	=====
Denominator: Denominator for basic earnings per share -- weighted-average shares.....	10,511	10,381		
Effect of dilutive securities -- employee stock options and deferred directors' fees.....	187	219	79	
Denominator for diluted earnings per share -- adjusted weighted-average shares with assumed conversions.....	10,698	10,600	10,530	=====
Basic earnings per share.....	\$ 1.70	\$ 1.30	\$.68	=====
Diluted earnings per share.....	\$ 1.67	\$ 1.28	\$.67	=====

For the years ended October 31, 2002, 2001 and 2000 exercisable stock options of 26 thousand, none and 207 thousand, 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.

D. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

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

OCTOBER 31, -----	2002	2001	-----	-----	Balance
at beginning of period.....	\$ 551	\$505			
Additions to costs and expenses.....	690	62			
Deductions for uncollectible accounts written off, net of recoveries.....	(32)	(16)			
Balance at end of period.....	\$1,209	\$551			
	=====	=====			

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

OCTOBER 31, -----	2002	2001	-----	---
Raw materials, parts and subassemblies.....	\$14,111	\$15,186		
Work-in-process.....	5,447	6,239		
Total inventories.....	\$19,558	\$21,425	=====	=====

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The components of costs and estimated earnings in excess of billings (in thousands):

OCTOBER 31,	-----	2002	2001	-----
	-	-----	-----	
		Costs and estimated		
earnings.....		\$ 190,106	\$	
		156,822 Progress		
billings.....				
(157,278)	(120,658)	----- Total costs		
		and estimated earnings in excess of		
billings.....				
		\$ 32,828	\$ 36,164	=====

The components of billings in excess of costs and estimated earnings (in thousands):

OCTOBER 31,	-----	2002	2001	-----
	-	-----	-----	
		Progress		
billings.....				
\$ 131,840	\$ 111,963	Costs and estimated		
earnings.....		(118,362)		
(97,105)		----- Total billings in		
		excess of costs and estimated		
earnings.....				
		\$ 13,478	\$ 14,858	=====

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

OCTOBER 31,	-----	RANGE OF	2002	2001
	ASSET LIVES	-----	-----	
Land.....				
\$ 5,093	\$ 5,232	--	Buildings and	
improvements.....		35,791		
30,952	3-39 Years	Machinery and		
equipment.....		37,191		
31,559	3-15 Years	Furniture and		
fixtures.....		3,012	3,829	
	3-10 Years	Construction in		
progress.....		6,463	4,985	--
	-----	87,550	76,557	Less-accumulated
depreciation.....		(42,530)		
(39,148)		----- Total property, plant		
		\$ 45,020	\$ 37,409	
		and equipment, net.....		
		=====		

Depreciation expense was \$4.7 million, \$4.2 million and \$4.4 million for fiscal years 2002, 2001 and 2000, respectively.

E. 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 \$1.4 million, \$1.2 million, and \$1.1 million in fiscal years 2002, 2001 and 2000, respectively, under this plan.

In October 1985 and February 1987, we entered into Executive Benefit Agreements with several key officers and employees. Three participants remain in this deferred compensation 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.

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, 2002 and 2001 there were 651,755 and 674,569 shares in the trust with 330,975 and 308,926 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

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ESOP over a twenty-year period with equal payments of \$424 thousand per year including interest at 7 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. The compensation expense for fiscal years 2002, 2001 and 2000 was \$252 thousand, \$247 thousand, and \$135 thousand, 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.

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 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 healthcare 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 percent and 100 percent 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 effect of these modifications significantly reduced our postretirement benefits cost and accumulated benefits obligation.

In 2000, we again modified our postretirement benefits to provide retiree healthcare benefits to current retirees and active employees who were eligible to retire after December 31, 1999. The retired employees' cost of the optional retiree coverage under the plan is based on the full COBRA cost of that coverage, reduced by a fixed dollar amount for each additional service year in excess of ten (10) service years.

The following table illustrates the components of net periodic benefits expense, funded status, the change in funded status, and the change in accumulated benefit obligation of the postretirement benefit plans (in thousands):

OCTOBER 31, -----	2002	2001	2000	----
----- ----- Components of net periodic				
postretirement benefits expense (income): Service				
cost.....	\$ 20			
	\$ 17	\$ 16	Interest	
cost.....			39	34
			27	Prior service cost
(benefit).....		13	16	(40) Net
(gain)/loss recognized.....				
	2	(5)	(14)	----- ----- Net periodic
postretirement benefits expense				
(income).....	\$ 74	\$ 62	\$ (11)	==== =====

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

OCTOBER 31, -----	2002	2001	2000	----	----
----- Funded Status:					
Retirees.....					
\$120 \$ 73 \$ 51 Fully eligible active					
participants.....	182	167	163	Other	
actual participants.....	300				
254 257 ----- Accumulated postretirement					
benefits obligation.....	602	494	471	Less	
unrecognized balances: Prior service					
cost.....	129	145	161		
Net actuarial					
(gain)/loss.....	(57)	(134)			
(109) ----- Net amount					
recognized.....	\$530	\$			
483 \$ 419 ===== Changes in accumulated					
postretirement benefits obligation: Balance at					
beginning of year.....	\$494	\$			
471 \$ 400 Service					
cost.....	20	17			
16 Interest					
cost.....	39	34			
27 Loss due to plan					
change.....	--	--	174		
Actuarial					
(gain)/loss.....	74	(30)			
(141) Benefits					
paid.....	(25)	2			
(5) ----- Balance at end of					
year.....	\$602	\$ 494	\$ 471		
===== Fair value of plan					
assets.....	\$ --	\$ --	\$ --		
===== Weighted average assumptions:					
Discount					
rate.....	6.5%	7%			
7% Expected return on plan					
assets.....	N/A	N/A	N/A	Rate of	
compensation increase.....	N/A				
N/A N/A					

The assumed health care cost trend measuring the accumulated postretirement benefits obligation was 6% in both fiscal years 2002 and 2001. The trend is expected to remain at 6% for fiscal year 2003 and later. If the health care trend rate assumptions were increased by 1% as of October 31, 2002, there would be no significant effect of this change on the accumulated postretirement benefits obligation or net postretirement benefit cost for 2002.

F. DEBT

We entered into a \$10 million term loan with a domestic bank in September 1998. This loan has a maturity of five years with nineteen equal quarterly payments of \$357 thousand. As of October 31, 2002, this loan had a remaining balance of \$4.3 million, with final payment of the remaining principal balance due on September 30, 2003. Per the agreement, the rate is the London Interbank Offered Rate ("LIBOR") plus .5%. The effective interest rate, after including the results of an interest rate swap negotiated with the trust company of the same domestic bank is 5.2% per annum plus a .75% to 1.25% fee based on financial covenants.

We entered into an interest rate swap agreement to manage our interest rate exposure. This agreement is accounted for on the accrual basis. Income and expense resulting from this agreement are recorded in the same category as interest expense accruals on the related term loan. Amounts to be paid or received under the interest rate swap agreement are recognized as an adjustment to interest expense in the periods in which they occurred. The original \$10 million notional amount of the swap agreement follows the same reduction schedule as the term loan. The agreement requires that we pay the counterparty at the above fixed swap rate

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

and requires the counterparty to pay us interest at the 90 day LIBOR rate. The closing 90 day LIBOR rate on October 31, 2002, was 1.7%. We consider the risk of non-performance by our swap partner to be minimal.

We borrowed \$8 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 North Lake, IL facility. 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 to the Bonds' trustee to guarantee payment of the Bonds' principal and interest when due. The letter of credit terminates on October 25, 2004, and is subject to both early termination and extension provisions customary to such agreements. The Bonds mature in 2021 but the reimbursement agreement requires the Company to provide for redemption of one twentieth of the par value of the Bonds beginning on October 25, 2002, and each subsequent anniversary. A sinking fund is used for the redemption of the Bonds. As of October 31, 2002, the remaining balance was \$7.6 million. 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% per annum on October 31, 2002.

We have a \$25 million revolving line of credit agreement with a major domestic bank which was amended in September 2002 to extend the maturity date to February 2005. The revolving line of credit allows us to elect an interest rate on amounts borrowed of (1) the bank's prime rate, which was 4.75% at October 31, 2002, less .5% (on the first \$5 million) and the bank's prime rate on additional borrowings, or (2) the bank's LIBOR rate, which was 1.7% at October 31, 2002, plus an additional percentage of .75% to 1.25% based on our performance. A fee of .20% to .25% is charged on the unused balance of the line. The agreement contains customary affirmative and negative covenants and requirements to maintain a minimum level of tangible net worth and profitability. As of October 31, 2002, we were in compliance with all debt covenants. The amount available under this agreement is reduced by \$3.3 million for our outstanding letters of credit. (The direct pay letter of credit discussed above does not affect our available credit under this agreement.) There were no borrowings under this line of credit as of year-end.

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 obligation is at a fixed interest rate of 3%.

Long-term debt is summarized below (in thousands):

OCTOBER 31, -----	2002	2001	-----
	---- Five year term		
note.....		\$	
	4,286	\$ 5,714	Revolving line of
credit.....		0	9,000
		Capital	
lease.....			
	124	0	Industrial Development Revenue
Bonds.....		7,600	8,000
-----	Sub-total long-term debt and capital lease		
obligations.....	12,010	22,714	Less-current
maturities.....			
(4,746)	(1,429)	-----	Total long-term
debt and capital lease obligations.....		\$	
	7,264	\$21,285	=====

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The interest expense recorded during the year was \$508 thousand, \$673 thousand, and \$639 thousand in 2002, 2001 and 2000, respectively. The annual maturities of long-term debt for the years 2003 through 2007 are as follows (in thousands):

YEAR ENDING	LONG-TERM DEBT	CAPITAL	OCTOBER 31
MATURITIES LEASE	TOTAL	-	-----

2003.....			
	4,686	60	4,746
2004.....			
	400	64	464
2005.....			
	400	--	400
2006.....			
	400	--	400
2007.....			
	400	--	400
Thereafter.....			
5,600 -- 5,600	-----	-----	-----
debt maturities.....	\$11,886	\$124	
	\$12,010	=====	=====

See footnote L for discussion of the fair market value of the debt instruments.

G. INCOME TAXES

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

OCTOBER 31,	-----	2002	2001	-----
-----	Current deferred income taxes: Gross			
assets.....		\$ 3,109	\$ 2,177	Gross
liabilities.....		(3,607)	(3,010)	-----
	deferred income tax liability.....			Net current
(498) (833)	-----	-----	-----	Noncurrent deferred
assets.....		income taxes: Gross		
		1,378	1,231	Gross
liabilities.....		(789)	(167)	-----
	deferred income tax asset.....			589
1,064	-----	-----	-----	Net deferred income tax
asset.....		\$ 91	\$ 231	
		=====	=====	

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,	-----	2002	2001	-----
-----	Allowance for doubtful			
accounts.....		\$ 461	\$ 192	Reserve
for accrued employee benefits.....		596		
		789		Warranty
reserves.....		780	567	
	Uncompleted long-term			
contracts.....		(3,515)	(3,010)	
	Depreciation and			
amortization.....		(374)	165	
	Deferred			
compensation.....		559	495	
	Postretirement benefits			
liability.....		172	294	Accrued legal
expenses.....		217	338	
	Uniform capitalization and			
inventory.....		1,064	315	
Other.....				
	Net deferred income tax			
asset.....		\$ 91	\$ 231	=====

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

YEARS ENDED OCTOBER 31, -----	2002	2001	2000	-----	-----	-----	-----
							Current:
Federal.....	\$ 9,865	\$6,478	\$2,445				
State.....							
	541	382	209				Deferred:
Federal.....							
	140	1,029	1,167				Total income
tax provision.....	\$10,546	\$7,889					
	\$3,821	=====	=====				=====

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, -----	2002	2001	2000	-----
rate.....	35%	35%		Statutory
	34%			Foreign sales corporation
credits.....	--	--	(1)	State income
taxes, net of federal benefit.....	1	1	2	
Other.....				
	1	1	--	Effective
rate.....	37%	37%		
	35%	==	==	==

H. SIGNIFICANT SALES DATA

No single customer or export country accounted for more than 10 percent of consolidated revenues in fiscal years 2002, 2001 and 2000.

Export sales are as follows (in thousands):

YEARS ENDED OCTOBER 31, -----	2002	2001	2000	-----
(including former Soviet Union).....	\$ 386	\$ 411	\$ 734	Europe
East.....				Far
	8,717	4,437	17,200	Middle East and
Africa.....				9,205
(excluding U.S.).....	6,152	7,832		North, Central and South America
	9,706	10,431	18,655	-----
				Total export
sales.....	\$28,014			
	\$21,431	\$44,421	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

I. COMMITMENTS AND CONTINGENCIES

LEASES

We lease certain offices, facilities and equipment under operating leases expiring at various dates through 2008. At October 31, 2002, the minimum annual rental commitments under leases having terms in excess of one year are as follows (in thousands):

YEAR ENDING	OPERATING	OCTOBER 31	LEASES	-	-----	-----
2003.....						
			\$1,238			
2004.....			1,348			
2005.....			1,132			
2006.....			947			
2007.....			931			
Thereafter.....			1,177	-----	Total lease	
commitments.....						\$6,773
					=====	

Lease expense for all operating leases, excluding leases with terms of less than one year, was \$1.5 million, \$1.6 million and \$1.3 million for fiscal years 2002, 2001 and 2000, respectively.

LETTERS OF CREDIT AND BONDS

We are contingently liable for secured and unsecured letters of credit of \$11.0 million as of October 31, 2002. We also had performance bonds totaling approximately \$156.5 million that were outstanding at October 31, 2002. Performance bonds are used to guarantee contract performance to our customers.

INSURANCE

We partially retain the risk for the employee group health claims, resulting from uninsured deductibles per occurrence. Losses up to the deductible amounts are accrued based upon known claims incurred and an estimate of claims incurred but not reported. The accruals are based upon known facts and historical trends and we believe such accruals to be adequate.

LITIGATION

We are a party to disputes arising in the ordinary course of business. We do not believe that the ultimate outcome of these disputes will materially affect the financial position or future results of our operations.

OTHER CONTINGENCIES

The Company is a partner in a 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 has 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, includes unsubstantiated 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 will seek indemnification from the Joint Venture for such additional amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Joint Venture has no reason to believe the systems it delivered under contract to the MTA were defective and accordingly it intends to vigorously defend any such allegations. The ultimate disposition of the Joint Venture's claim against the MTA and the MTA's potential claim for indemnification based on the follow-on contractor's claims are not presently determinable. Although an unfavorable outcome to the follow-on contractor's claim could have a material adverse effect on the Company's financial condition and results of operations, the Company believes that an unfavorable outcome with respect to these matters, under the circumstances and on the basis of the information now available, is unlikely.

J. STOCK OPTIONS AND GRANTS

We provide an employee stock option plan in which 2.1 million shares of our common stock would be made available through an incentive program for certain employees. The awards available under the plan include both stock options and stock grants, and are subject to certain conditions and restrictions as determined by the Compensation Committee of the Board of Directors. There were no stock grants during fiscal years 2002, 2001 and 2000. Stock options granted to the employees 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 terms of seven years from the date of grant and will vest in increments of 20 percent per year over a five year period. The plan provides for additional stock to be awarded equal to 20 percent of all options which are exercised and then held for a period of five years. There were 480,086 shares available to be granted under this plan as of October 31, 2002.

The Shareholders voted at the March 16, 2002 meeting to approve the Non-Employer Director Stock Option 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. Annually each eligible Director who is continuing to serve as a Director, shall 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 is 59,117 as of October 31, 2002. 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.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Stock option activity (number of shares) for the Company during fiscal years 2002, 2001 and 2000 was as follows:

2002	2001	2000	-----	-----	-----
Outstanding, beginning of					
year.....	834,300				
654,730	778,635	Granted: Stock options			
\$8.44	per share.....	--	--		
12,000	Stock options	\$17.85	per		
share.....	--	358,900	--		
Stock options ranging from \$13.06 to					
\$27.10 per					
share.....					
26,883	--	--	Exercised: Stock options		
\$6.25	per share.....				
(82,900)	(66,730)	(19,960)	Stock		
options \$6.75 per					
share.....	--	--	(95,295)		
Stock options \$15.81 per					
share.....	(19,830)	(49,740)			
-- Stock options \$8.50 per					
share.....	(16,140)				
(26,090)	(1,280)	Stock options	\$8.44		
per share.....	--	(2,000)	--		
- Stock options \$17.85 per					
share.....	(100)	--	--		
Forfeited: Stock options \$6.25 per					
share.....	(800)	--	--		
Stock options \$15.81 per					
share.....	(4,720)	(13,300)			
(10,000)	Stock options	\$8.50	per		
share.....	(12,920)				
(21,470)	(9,370)	Stock options	\$17.85		
per share.....	(3,600)	--	--		
----- Outstanding,					
ranging from \$6.25 to \$27.10 per share,					
at the end of year.....					
720,173	834,300	654,730	=====	=====	
=====					

The following table summarizes information about stock options outstanding as of October 31, 2002:

OUTSTANDING
EXERCISABLE

- WEIGHTED
NUMBER
WEIGHTED
RANGE OF
NUMBER
WEIGHTED
AVERAGE
AVERAGE
EXERCISABLE
AVERAGE
EXERCISE
OUTSTANDING
REMAINING
EXERCISE
AT
EXERCISE
PRICES AT
10/31/02
CONTRACTUAL
LIFE PRICE
10/31/02

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

consistent with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," our net income and earnings per share would have been as follows:

	2002	2001	2000	-----	-----	-----	Net
							income: As
reported.....							
	\$17,905	\$13,542	\$7,061				Pro
forma.....							
17,071	13,066	6,585					Basic earnings per share: As
reported.....							
	\$ 1.70	\$ 1.30	\$.68				Pro
forma.....							
1.62	1.26	.63					Diluted earnings per share: As
reported.....							
	\$ 1.67	\$ 1.28	\$.67				Pro
forma.....							
	1.60	1.23	.63				

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:

	2002	2001	2000	-----	-----	-----
options.....						
	7 years	7 years	7 years			Risk-free
						interest
rate.....						
	3.45%	5.30%	6.38%			Expected dividend
yield.....						
	0.00%	0.00%	0.00%			Expected stock price
volatility.....						
	38.15%	39.53%	36.23%			

K. FAIR VALUE OF FINANCIAL INSTRUMENTS

Our financial instruments include short-term investments, debt obligations and interest rate hedges. The book value of short-term investments is considered to be representative of fair value because of the short maturity of these instruments. The carrying value of our debt approximates fair value as interest rates are indexed to LIBOR or the bank's prime rate.

At October 31, 2002, we had \$4.3 million in borrowings subject to the interest rate swap at a rate of 5.20% through September 30, 2003. This rate is approximately 3.5% above market and represents approximately \$150 thousand of increased interest expense for fiscal year 2003 assuming the current market interest rates do not change. The fair value of the swap agreement at October 31, 2002 was a liability of \$136 thousand. The fair value is the amount we would pay to terminate the contract. This agreement requires that we pay the counterparty at the above fixed swap rate and requires the counterparty to pay us interest at the 90 day LIBOR rate. The closing 90 day LIBOR rate on October 31, 2002 was 1.7%.

L. BUSINESS SEGMENTS

We have three reportable segments: Switchgear and related equipment (Switchgear) for the distribution and control of electrical energy, Bus duct products (Bus Duct) for the distribution of electrical energy, and Process Control Systems which consists principally of instrumentation, computer control, communications and data management systems.

The tables below reflect certain information relating to our operations by segment. Substantially 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. For purposes of this presentation, all general corporate expenses have been allocated among operating segments based primarily on revenues. In addition, the corporate assets are mainly cash and cash equivalents transferred to the corporate office from the segments.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The required disclosures for the business segments are set forth below (in thousands):

YEARS ENDED OCTOBER 31, -----					
----- 2002 2001 2000 -----					
	-- Revenues:				
Switchgear.....	\$242,740	\$202,219	\$161,494	Bus	
Duct.....	40,852	42,613	32,213	Process Control	
Systems.....	22,811	26,411			
	29,312				
Total.....	\$306,403	\$271,243	\$223,019	=====	=====
	===== Earnings from Operations before Income				
	Tax Provision:				
Switchgear.....	\$ 21,652	\$ 14,518	\$ 6,039	Bus	
Duct.....	5,759	6,208	6,056	Process Control	
Systems.....	1,040	705			
	(1,213)				
Total.....	\$ 28,451	\$ 21,431	\$ 10,882	=====	=====
	===== Assets:				
Switchgear.....	\$132,428	\$134,872	\$100,071	Bus	
Duct.....	24,156	21,576	15,608	Process Control	
Systems.....	14,937	17,579			
	14,331				
Corporate.....	18,122	12,334	7,916		
Total.....	\$189,643	\$186,361	\$137,926	=====	=====

M. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The table below sets forth the unaudited consolidated operating results by fiscal quarter for the years ended October 31, 2002 and 2001 (in thousands, except per share data):

FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	QUARTER	QUARTER
-----	-----	-----	-----	-----	-----
	----- 2002--				
Revenues.....	76,487	80,286	74,287	75,343	Gross
profit.....	15,591	17,267	16,430	18,370	Net
earnings.....	3,734	4,514	4,523	5,134	Net earnings per
	common and common equivalent share:				
Basic.....	.36	.43	.43	.48	
Diluted.....	.35	.42	.42	.48	2001--
Revenues.....	\$55,151	\$68,719	\$70,780	\$76,593	Gross
profit.....	11,214	14,226	15,752	15,605	Net
earnings.....	1,884	3,121	4,226	4,311	Net earnings per
	common and common equivalent share:				
Basic.....	.18	.30	.41	.41	
Diluted.....	.18	.30	.40	.40	

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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEMS 10, 11, 12 AND 13. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT; EXECUTIVE COMPENSATION; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT; AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by these items 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, 2002, under the headings set forth above.

ITEM 14. CONTROLS AND PROCEDURES

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-4(c) and 15d-14(c) of the Securities Exchange Act of 1934, as amended) as of a date ("Evaluation Date") within 90 days prior to the filing date of this annual report. Based on such evaluation, our CEO and CFO have each concluded that as of the Evaluation Date, 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. There were no significant changes in our internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation Date.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following exhibits are filed as part of this Annual Report on Form 10-K, or are incorporated herein by reference. Where an exhibit is incorporated herein, an asterisk (*) precedes the exhibit number.

1. Financial Statements. Reference is made to the Index to Consolidated Financial Statements at Item 8 of this report.
2. 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
 - 3.1 -- Articles of Incorporation and Certificates of Amendment of Powell Industries, Inc. dated July 20, 1987 and March 13, 1992 (filed as Exhibit 3 to our Form 10-K for the fiscal year ended October 31, 1982, Form 10-Q for the quarter ended July 31, 1987, and Form 10-Q for the quarter ended April 30, 1992, respectively, and incorporated herein by reference).
 - 3.2 -- By-laws of Powell Industries, Inc. (filed as Exhibit 3.2 to our Form 10-Q for the quarter ended April 30, 1995 and incorporated herein by reference).
 - *10.1 -- Powell Industries, Inc., Incentive Compensation Plan for 2002.
 - 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 Exhibit 4.2 to our registration statement on Form S-8 dated July 26, 1994 (File No. 33-81998) 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 1,500,000 to 2,100,000, which increase was approved by the stockholders of the Company at the 2001 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.
- *10.8 -- Powell Industries, Inc. Non-Employee Directors Stock Option Plan.
- *10.9 -- Powell Industries, Inc. Deferred Compensation Plan.
- *10.10 -- Amended Loan Agreement dated September 30, 2002, between Powell Industries, Inc. and Bank of America Texas N.A. Subsidiaries of Powell Industries, Inc.
- *21.1 -- Subsidiaries of Powell Industries, Inc.
- *99.1 -- Certification Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- *99.2 -- Certification Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

None

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, there unto duly authorized.

POWELL INDUSTRIES, INC.

By /s/ THOMAS W. POWELL

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

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

Chairman

of the

Board --

Thomas

W.

Powell

/s/

JOSEPH

L.

BECHERER

Director

Joseph

L.

Becherer

/s/

EUGENE

L.

BUTLER

Director

Eugene

L.

Butler

/s/

JAMES F.

CLARK

Director

James F.
Clark
/s/
STEPHEN
W.
SEALE,
JR.
Director

Stephen
W.
Seale,
Jr. /s/
LAWRENCE
R.
TANNER
Director

Lawrence
R.
Tanner
/s/
ROBERT
C.
TRANCHON
Director

Robert
C.
Tranchon
/s/
RONALD
J. WOLNY
Director

Ronald
J. Wolny

Date: December 31, 2002

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 annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 31, 2002

/s/ THOMAS W. POWELL

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

CERTIFICATION

I, Don R. Madison, certify that:

7. I have reviewed this annual report on Form 10-K of Powell Industries, Inc.;
8. Based on my knowledge, this annual 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 annual report;
9. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
10. 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-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
11. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
12. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 31, 2002

/s/ DON R. MADISON

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

EXHIBIT INDEX

NUMBER	EXHIBIT TITLE
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Option Plan
(filed as
Exhibit 4.2
to our
registration
statement on
Form S-8
dated July
26, 1994
(File No. 33-
81998) 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
1,500,000 to
2,100,000,
which
increase was
approved by
the
stockholders
of the
Company at
the 2001
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. 10.8 --
Powell
Industries,
Inc. Non-
Employee
Directors
Stock Option
Plan. 10.9 --
Powell
Industries,
Inc. Deferred
Compensation
Plan. 10.10 -
- Amended
Loan
Agreement
dated
September 30,
2002, between
Powell
Industries,
Inc. and Bank
of America
Texas N.A.
21.1 --
Subsidiaries
of Powell
Industries,
Inc. 99.1 --
Certification
Pursuant to
Section 18
U.S.C.
Section 1350,
as Adopted
Pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002. 99.2 --
Certification
Pursuant to
Section 18
U.S.C.
Section 1350,
as Adopted
Pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002.

POWELL INDUSTRIES, INC.
INCENTIVE COMPENSATION PLAN GUIDELINES
2002

PURPOSE

An incentive compensations plan ("Plan") is intended to promote business growth and profitability and to attract, retain, motivate and reward key members of the management team by linking incentive awards to the achievement of strategically directed financial and non-financial goals on an annual basis. These guidelines are intended also to provide overall guidance while providing flexibility to tailor certain elements of an incentive compensation plan to meet specific business needs.

ELIGIBILITY AND PARTICIPATION

Key corporate and subsidiary executives and managers will be designated annually to be Participants in the Plan. Participation is determined principally by the degree to which an employee can have a definitive influence on performance and profitability. Participation in one year does not guarantee participation in the following year.

Participants must be active employees on first day of the plan year to be eligible for a full annual award. Those hired or promoted into eligible positions after the first day of a plan year will be eligible for an annual award on a pro-rata basis assuming all other plan conditions are fulfilled.

Subsidiary presidents may also recommend an incentive "pool" for employees of the subsidiary who are not Plan participants.

The CEO will recommend corporate and subsidiary participants and their maximum incentive compensation amount for approval by the Compensation Committee of the Company's Board of Directors, and the CEO may authorize use of the an incentive "pool" for employees of Powell Industries, Inc. who are not Plan participants.

Participants in a plan are not eligible for participation in any other annual incentive plan.

MAXIMUM AWARDS

Each Participant is assigned a maximum incentive compensation award annually based on the Participant's potential contribution to the performance of the Company or subsidiary. This maximum award is a percentage of participant's base salary on the first day of the plan year. The Plan year is the fiscal year of the Company.

Each Participant may earn between zero and one hundred percent of this maximum Incentive compensation award depending on how the Company or subsidiary that employs the participant performs during the Plan year against pre-established performance targets.

ELEMENTS AND WEIGHTING OF THE PLAN

- o Financial
Each year as part of the budgeting process for each operation, specific goals are established for the following elements: Return of Net Assets (RONA) (earnings before interest and taxes divided by 13 months average of net total assets less current liabilities) and EBIT (earnings before

interest and taxes). The CFO will recommend the threshold and maximum performance measures for RONA and EBIT for corporate and subsidiary's incentive targets.

o Special Factors

Components are significant measures typically focused on major process improvements related to business objectives. While referred to as special factors, they may actually be measurable in financial terms (e.g. accounts receivables, etc.). All special factors measures shall be as specific as possible and have clear goals established for the threshold and maximum performance levels. A maximum of two special factors are recommended.

The weighting percentage reflects the relative weight given to each performance measure. The following measures will be used to measure the performance of each subsidiary and the Company overall:

PERFORMANCE MEASURES FOR SUBSIDIARY PARTICIPANTS

- o 60% Weighting: RONA
- o 25% Weighting: EBIT
- o 15% Weighting: Special Factors

PERFORMANCE MEASURES FOR CORPORATE PARTICIPANTS

- o 50% Weighting: Return on Equity
- o 50% Weighting: Earnings Per Share

Each subsidiary will have unique targets. The CEO may authorize the use by a subsidiary of separate performance measures and targets for that subsidiary or for certain of its Participants provided their use is, in the best business judgment of the CEO, compatible and consistent with the purpose and provisions of this Plan.

The CEO will approve measures and targets for each subsidiary. The Compensation Committee will review performance measures and targets for the Company.

PAYMENT OF AWARDS

Annual incentive awards will be determined after the audited financial statements of the Company for the Plan year are complete, and paid in cash as soon as practical thereafter. (Computation of each entity's performance must be net of (after) provision for the total of Incentive Compensation amounts earned for that entity.) The awards will be made in a lump sum subject to the usual payroll taxes and employee benefit plan deductions.

Incentive goals are based upon a full plan year effort and are measured on a full plan year basis. Incentive compensation is not deemed to be earned by a participant until all conditions of a plan have been fulfilled including participant's completion of the full plan year for which annual measures and goals are established. However, at the Company's discretion, a prorated award may be granted for those who were actively employed during a plan year but ceased active employment with the Company under any of the following circumstances: death, retirement, disability (in the first year of disability only), involuntary layoff and transfer.

Prior to payment of such amounts, the Compensation Committee will review and certify the incentive awards for all participants. Amounts due participants under the Plan are an unfunded, general obligation of the Company.

GENERAL

The establishment of measures and goals under the plan does not guarantee employment or payment of an award, but rather directs and prioritizes the participant's activities for a plan year. Neither a plan nor the establishment of an individual's performance measures or goals is intended to create or constitute a contract of employment or otherwise. An employee's employment may be

terminated with or without cause or notice at any time at the option of either the Company or the employee.

ADMINISTRATION

The Compensation Committee of the Company's Board of Directors is the plan administrator. The administrator shall have the full power and discretionary authority to administer and interpret the plan. The administrator will also establish rules for the administration of the plan, including, but not limited to, the power and discretionary authority to determine issues concerning eligibility, prorating or adjusting of awards and interpretation of the terms of the plan.

The decisions of the administrator shall be final and binding.

The Company's Board of Directors shall have the right to suspend, terminate or amend the plan, in whole or in part, at any time, without notice.

POWELL INDUSTRIES, INC.
EXECUTIVE SEVERANCE PROTECTION PLAN

WITNESSETH:

WHEREAS, the Board of Directors (the "Board") of Powell Industries, Inc. (the "Company") has determined that, in the event the Company becomes subject to any proposed or threatened Change of Control (as defined in the Plan), the Board and the Company must be able to rely on the continued advice and support of key management personnel without concern that such personnel might be distracted by personal financial concerns and leave the employ of the Company;

WHEREAS, the Board has determined that a formal executive severance protection plan should be adopted to insure stability and continuity of employment of key management personnel in the event of a proposed or threatened Change of Control;

WHEREAS, it is intended that this Plan set forth the terms and conditions upon which benefits are payable to certain executives under this Plan; and

WHEREAS, this Plan constitutes an employee welfare benefit plan, as that term is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974 ("ERISA"); and

WHEREAS, it is intended that this Plan shall comply with the requirements of Section 402 of ERISA that an employee benefit plan be maintained pursuant to a written instrument;

NOW, THEREFORE, the Company has adopted this Plan which provides as follows:

1. DEFINITIONS.

The following definitions shall apply for the purposes of this Plan:

A. "BENEFICIARY" means any person or entity entitled to receive benefits which are payable upon or after a Participant's death pursuant to the terms of this Plan.

B. "CHANGE OF CONTROL" of Powell Industries, Inc. means the date of occurrence of one or more of the following:

(1) Any acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 35% or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote

generally in the election of the Board of Directors of the Company (the "Outstanding Voting Securities");

(2) the merger or consolidation of the Company with any other entity if any person or group of persons (as defined in Rule 13d-5), together with his or its affiliates, is the beneficial owner, directly or indirectly, of 35% or more of the surviving entity's then outstanding securities entitled generally to vote for the election of the surviving entity's directors;

(3) Continuing Directors no longer constitute a majority of the Board; the term "Continuing Director" means any individual who is a member of the Board on the date hereof or was nominated for election as a director by, or whose nomination as a director was approved by, the Board with the affirmative vote of a majority of directors who were members of the Board on the date hereof; or

(4) The Company transfers substantially all of its assets to another corporation which is a less than 80% owned subsidiary of the Company.

C. "COMMITTEE" means the Compensation Committee of the Company's Board of Directors.

D. "COVERED PERIOD" means three years from the date of occurrence of a Change of Control.

E. "EXECUTIVE" means an executive designated by the Board as eligible to receive benefits under this Plan, as provided for in Section 5.

F. "INVOLUNTARY TERMINATION" means, within the Covered Period, termination of an Executive's employment following:

(1) an Executive's resignation, for any reason, which is requested by the Company;

(2) a significant change or reduction in job duties and responsibilities without the Executive's consent including, but not limited to his position title, work location, responsibility, or authority;

(3) reduction in his base salary, incentive award opportunity, employee benefits, or perquisites; or

(4) resignation by the Executive for "good reason". "Good reason" means the failure of the Company to provide a comparable position and compensation.

G. "PLAN" means the Powell Industries, Inc. Executive Severance Protection Plan as set forth in this document, and as hereafter amended.

H. "PLAN ADMINISTRATOR" means the entity provided for in Section 2.

I. "TERMINATION FOR CAUSE" means a termination of the Executive's employment because of (1) the conviction of the Executive by a state or federal court of competent jurisdiction of any felony, (2) the conviction of the Executive by a state or federal court of competent jurisdiction for embezzlement or misappropriation of funds of the Company or its

consolidated subsidiaries, (3) gross negligence or willful misconduct of the Executive which causes a material monetary injury to the Company or its consolidated subsidiaries, or (4) the Executive's continued failure to substantially perform material stated duties of his positions with the Company and its consolidated subsidiaries.

2. NAME OF ADMINISTRATOR AND PLAN FIDUCIARY.

For purposes of Section 3(16) of ERISA, the Company is administrator of this Plan. Unless the Board designates a different committee, the Committee is designated Plan Administrator and Fiduciary of this Plan and is charged with the general administration of this Plan.

3. BENEFITS UNFUNDED.

All benefits owing under the Plan shall be paid out of the Company's general corporate funds, which are subject to the claims of creditors.

Neither the Executives nor any Beneficiary shall have any right, title or interest whatever in or to, or any claim, preferred or otherwise, in or to, any particular assets of the Company as a result of participation in the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust or a fiduciary relationship of any kind between the Company and an Executive or any other person. Neither an Executive nor a Beneficiary of an Executive shall acquire any interest greater than that of an unsecured creditor in any assets of the Company.

4. PLAN OPERATION AND POWERS OF THE COMMITTEE AS PLAN ADMINISTRATOR AND FIDUCIARY.

A. THE COMMITTEE. The Committee is authorized in its sole discretion to make all rules, regulations and procedures it deems necessary or appropriate for administering this Plan within policies established by the Board, to construe its provisions, to correct its defects, and supply any omissions or reconcile any inconsistencies which may appear in this Plan, to determine all questions of eligibility and entitlement to benefits and resolve all controversies. The Board may allocate discretionary responsibilities to the Committee as Fiduciary provided it is in writing. The Board may in writing permit the Committee as Fiduciary to designate other persons to carry out discretionary responsibilities.

B. CLAIMS. If an Executive believes any benefit under this Plan has been incorrectly calculated or denied, he or she may file a claim with the Committee. The Committee shall follow claims procedures substantially identical to the claims procedures in the Powell Industries, Inc. Employees Incentive Savings Plan.

C. STANDARD OF JUDICIAL REVIEW OF COMMITTEE ACTIONS. The Committee has full and absolute discretion in the exercise of its authority under this Plan, including without limitation, the authority to determine any person's right to benefits under this Plan, the correct amount and form of any benefits, the authority to decide any appeal, the authority to review and correct the actions of any prior administrative committee, and all of the rights, powers, and authorities specified in this Section 4 and this Plan. Notwithstanding any provision of law or any explicit or implicit provision of this document, any action taken or ruling or decision made by the Committee in the exercise of any of its powers and authorities under this Plan, shall be final and conclusive as to all parties, regardless of whether the Committee or one or more of its

for the
Incentive
Plan
current
year Group
2: 2 times
the
maximum
incentive
opportunity
for the
current
year

balances
(as
required
by law).
Restricted
Stock and
Group 1
and 2:
Immediate
vesting
Group 1
and 2:
Immediate
Stock
Options at
time of
change of
control
per
vesting at
time of
change
Option
Plan. of
control
per Option
Plan.

Benefits are not payable under this Plan if an Executive's employment is terminated following the sale or disposition of any subsidiary of the Company unless that transaction is in conjunction with a Change of Control of Powell Industries, Inc.

If an Executive dies during the Covered Period after his Involuntary Termination, but before the payment or provision of all benefits to which that Executive has become entitled, then (1) cash payments due under Section 7 shall be made in accordance with the terms thereof, and (2) coverage for the Executive's dependents shall continue for the applicable term provided in this Section 6.

7. PLAN PAYMENTS.

Payments from this Plan will consist of the payment and provision of severance benefits by the Company out of its general assets in accordance with the terms of this Plan. Cash

payments due will be paid to the Executive or his Beneficiary within 90 days of the event causing the benefit payment under this Plan.

8. DESIGNATION OF BENEFICIARY.

Each Executive may from time to time designate the person(s) or entity(ies) to whom the benefits provided for in this Plan are to be paid in the event of the Executive's death. An Executive may from time to time change such Executive's designation of Beneficiary and, upon any such change, any previously designated Beneficiary's right to receive any benefits under the Plan shall terminate.

In order to be effective, any designation or change of designation of a Beneficiary must be made on a form furnished by the Committee and signed by the Executive and received by the Committee while the Executive is alive. If a Beneficiary of a deceased Executive shall survive the deceased Executive but die prior to the receipt of all benefits payable to said Beneficiary under the Plan, then such benefits as would have been payable to said deceased Beneficiary shall be paid to such Beneficiary's estate at the same time and in the same manner as such benefits would have been payable to said deceased Beneficiary.

If no such designation is on file with the Committee at the time of the death of the Executive or such designation is not effective for any reason as determined by the Committee, then the designated Beneficiary to receive such benefit shall be such Executive's spouse, if any, or the Executive's estate, if the Executive was not married at the time of his death.

9. PLAN AMENDMENT AND/OR TERMINATION.

This Plan may be amended at any time at the sole discretion of the Company by appropriate action of the Board and may be terminated at any time; provided that within one year of a Change of Control: (i) no amendment may be made which adversely affects the benefits which would be payable to an Executive hereunder in the event of a termination of employment following such Change of Control, and (ii) the Plan may not be terminated.

10. COORDINATION WITH EMPLOYMENT AND OTHER AGREEMENTS.

The severance benefits provided under this Plan to an Executive of the Company shall be coordinated with any severance benefits provided to such officer under any employment contract or other agreements between the Company and its consolidated subsidiaries and such Executive, such that for each item of severance benefit described herein, the Executive shall be entitled to the most favorable of the benefits provided by this Plan and by the employment contract or other agreement, but the Company shall not be required under this Plan to pay or provide twice any item of severance benefit that is covered both by this Plan and by such employment contract or other agreement. Split dollar agreements, if any, between the Company and an Executive shall operate according to their terms and shall not be affected by, or affect, payments due under this Plan.

11. GENERAL PROVISIONS.

A. NO ASSIGNMENT OF PROPERTY RIGHTS. Unless it is specifically required by applicable law, no interest or property rights of any Executive in this Plan or in any severance benefit to be paid pursuant to its terms, shall be subject in any manner to sale, transfer,

assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind, nor may such interest or right to receive a payment or distribution be taken, voluntarily or involuntarily, for the satisfaction of the obligations or debts of, or other claims against, the Executive or his Beneficiary, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings. Any act in violation of this section shall be null and void.

B. NO EMPLOYMENT CONTRACT. This Plan is not an employment contract and nothing contained in it shall prohibit the adjustment from time to time of the terms of employment of any Executive, including his current compensation and fringe benefits to which he may otherwise be entitled. No provision in this Plan shall be construed to affect in any way the Company's right to discharge any Executive at any time and for any reason, which right is hereby reserved, subject to any separate contract with such Executive.

C. INTERPRETATION. The interpretation, performance and enforcement of this Plan shall be governed by ERISA and, to the extent not preempted, by the laws of the State of Texas, without regard to Texas rules concerning conflicts of laws. Except when otherwise indicated by the context, the use of masculine terminology in this Plan shall include the feminine.

D. NO OFFSET REQUIRED. No payments or benefits payable to or with respect to an Executive pursuant to this Plan shall be reduced by any amount the Executive may owe to the Company, or any amount the Executive may earn or receive from employment with another employer or from any other source.

E. TAX WITHHOLDING. If any Federal or state tax withholding is required with respect to an Executive's severance benefit under this Plan, the Committee shall make appropriate arrangements to withhold the required amount from the Executive's benefit payment under this Plan.

F. GROSS UP. Benefits paid to an Executive pursuant to this Plan shall be "grossed-up" by the Company to cover (1) any federal excise tax due by that Executive on account of these benefit payments and (2) any federal income and employment taxes due on the federal excise tax described in this Section 11.F.

G. REIMBURSEMENT FOR LEGAL FEES. The Company shall reimburse an Executive for legal fees incurred by an Executive to successfully enforce the terms of this Plan in an amount which does not exceed the following maximums:

Executive in Group 1	\$150,000 =====
Executive in Group 2	\$100,000 =====

Reimbursement shall be made by the Company to the Executive within 30 days of receipt by the Company of a statement for such legal fees submitted by the Executive.

H. SEVERABILITY. In the event any provision of this Plan is held illegal or invalid, the remaining provisions of this Plan shall not be affected thereby.

12. EXECUTION.

To record the adoption of this amended and restated Executive Severance Protection Plan as set forth in this document, effective as of September 20, 2002, the effective date for this Plan

as approved by its Board, Powell Industries, Inc. has caused this Plan to be executed by its duly authorized representative this 20th day of September, 2002.

POWELL INDUSTRIES, INC.

By: /s/ DON R. MADISON

Don R. Madison
Vice President
Chief Financial Officer

POWELL INDUSTRIES, INC.

NON-EMPLOYER DIRECTOR STOCK OPTION PLAN

1. PURPOSE. The Powell Industries, Inc. Non-Employee Director Stock Option Plan (the "Plan") of Powell Industries, Inc. (the "Company") is for the benefit of members of the Board of Directors of the Company (the "Board"), who, at the time of their service, are not employees of the Company or any of its affiliates, by providing them an opportunity to become owners of the Common Stock of the Company (the "Stock"), thereby advancing the best interests of the Company by increasing their proprietary interest in the success of the Company and encouraging them to continue in their present capacity.

2. EFFECTIVE DATE OF PLAN. The Plan, as amended and restated, is effective January 18, 2002, having been approved by the Board and the stockholders of the Company.

3. ADMINISTRATION. The Plan shall be administered by the Compensation Committee of the Board (the "Committee"). Subject to the terms of the Plan, the Committee shall have the power to grant Options to Eligible Directors, construe the provisions of the Plan, Options, and Stock issued hereunder, to determine all questions arising hereunder, and to adopt and amend such rules and regulations for administering the Plan as the Committee deems desirable; provided, however, that the actions and decisions taken by the Committee in its capacity as administrator of the Plan shall not be effective until submitted to and ratified by the Board.

4. DEDICATED SHARES. The total number of shares of Stock with respect to which Initial Grants and Annual Grants (collectively, the "Options") may be granted under this Plan shall not exceed, in the aggregate, 100,000 shares; provided, that the class and aggregate number of shares of Stock which may be granted hereunder shall be subject to adjustment in accordance with the provisions of Paragraph 17. The shares of Stock may be treasury shares or authorized but unissued shares of Stock. In the event that any outstanding Option shall expire or is terminated or canceled for any reason, the shares of Stock allocable to the unexercised portion of that Option may again be subject to an Option or Options under the Plan.

5. GRANT OF OPTIONS. All Options granted under the Plan shall be Nonqualified Options which are not intended to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, as amended.

6. ELIGIBILITY. The individuals who shall be eligible to receive Options under the Plan shall be each member of the Board who is not an employee of the Company or any affiliate of the Company ("Eligible Director").

7. OPTION GRANT SIZE AND GRANT DATES.

Annual Grants -- If shares of Stock are available for issuance under the Plan, on a date established by the Committee, each Eligible Director who is continuing to serve as a director after such date, shall receive a grant of an Option to purchase the 2000 shares of Stock at the Fair Market Value of the Stock on the date of grant (an "Annual Grant").

Initial Grants -- If an Eligible Director is first elected or appointed to the Board (whichever is applicable), after the date of the immediately preceding Annual Grant but before the date chosen for the next Annual Grant, the Eligible Director shall be granted an Option to purchase the number of shares of Stock (rounded to the nearest whole share) which is determined by multiplying 2,000 shares by a fraction, the numerator of which is the number of months served actually served by the Eligible Director until the date of the next Annual Grant and the denominator of which is 12. The exercise price of such Stock shall be the Fair Market Value on the date of grant (an "Initial Grant"). The intent of this initial Grant is to provide the new Director with a prorated Option for the partial year served before the Annual Grant.

If the General Counsel of the Company determines, in his sole discretion, that the Company is in possession of material, nonpublic information about the Company or any of its subsidiaries, he may suspend granting of the Initial Grant and Annual Grant to each Eligible Director until the second trading day after public dissemination of the information, and the determination by the General Counsel that issuance of the Options is then appropriate.

8. OPTION PRICE; FAIR MARKET VALUE. The price at which shares of Stock may be purchased by each Eligible Director (the "Optionee") pursuant to his Initial Grant and each Annual Grant, respectively, shall be 100% of the "Fair Market Value" of the shares of Stock on the date of grant of the Initial Grant and each Annual Grant, as applicable.

For all purposes of this Plan, the "Fair Market Value" of the Stock as of any date means (a) the average of the high and low sale prices of the Stock on that date on the principal securities exchange on which the Stock is listed; (b) if the Stock is not listed on a securities exchange, the average of the high and low sale prices of the Stock on that date as reported on the NASDAQ National Market System; (c) if the Stock is not listed on the NASDAQ National Market System the average of the high and low bid quotations for the Stock on that date as reported by the National Quotation Bureau Incorporated; or (d) if none of the foregoing is applicable, the average between the closing bid and ask prices per share of stock on the last preceding date on which those prices were reported or that amount as determined by the Committee.

9. DURATION OF OPTIONS. The term of each Option shall be seven (7) years from the date of grant. No Option shall be exercisable after the expiration of seven (7) years from the date the Option is granted.

10. AMOUNT EXERCISABLE. Each Option granted hereunder shall be exercisable in full after the first anniversary of the grant of the Option.

11. EXERCISE OF OPTIONS. Options shall be exercised by the delivery of written notice to the Company setting forth the number of shares with respect to which the Option is to be exercised, together with: (a) cash, certified check, bank draft, or postal or express money order payable to the order of the Company for an amount equal to the option price of the shares, (b) Stock (held by Optionee for at least six months) at its Fair Market Value on the date of exercise, and/or (c) any other form of payment which is acceptable to the Committee, and specifying the address to which the certificates for the shares are to be mailed. As promptly as practicable after receipt of written notification and payment, the Company shall deliver to the Eligible Director certificates for the number of shares with respect to which the Option has been exercised, issued in the Eligible Director's name. If shares of Stock are used in payment, the Fair Market Value of the shares of Stock tendered must be less than the option price of the shares being purchased, and the difference must be paid by check. Delivery shall be deemed effected for all purposes when a stock transfer agent of the Company shall have deposited the certificates in the United States mail, addressed to the Eligible Director, at the address specified by the Eligible Director.

Whenever an Option is exercised by exchanging shares of Stock owned by the Optionee, the Optionee shall deliver to the Company certificates registered in the name of the Optionee representing a number of shares of Stock legally and beneficially owned by the Optionee, free of all liens, claims, and encumbrances of every kind, accompanied by stock powers duly endorsed in blank by the record holder of the shares represented by the certificates, (with signature guaranteed by a commercial bank or trust company or by a brokerage firm having a membership on a registered national stock exchange). The delivery of certificates upon the exercise of Options is subject to the condition that the person exercising the Option provide the Company with the information the Company might reasonably request pertaining to exercise, sale or other disposition.

12. NON-TRANSFERABILITY OF OPTIONS. Options shall not be transferable by the Optionee other than by will or under the laws of descent and distribution, and shall be exercisable, during the Optionee's lifetime, only by him.

13. TERMINATION OF DIRECTORSHIP OF OPTIONEE. If, before the date of expiration of the Option, the Optionee shall cease to be a director of the Company, the Option shall terminate on the earlier of the date of expiration or one (1) year after the date of ceasing to serve as a director. In this event, the Optionee shall have the right, prior to the termination of the Option, to exercise the Option if he was entitled to exercise the Option immediately prior to ceasing to serve as a director, however, in the event that the Optionee has ceased to serve as a director on or after attaining the age of seventy (70) years, the Optionee shall be entitled to exercise all or any part of such Option without regard to any limitations imposed pursuant to Paragraph 10, provided that in no event shall the Option be exercisable within six months after the date of grant.

Upon the death of the Optionee while serving as a director, his executors, administrators, or any person or persons to whom his Option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the earlier of the date of expiration of the Option or one (1) year following the date of his death, to exercise the Option, in whole or in part without regard to any limitations imposed pursuant to Paragraph 10, provided that in no event shall the Option be exercisable within six months after the date of grant.

14. REQUIREMENTS OF LAW. The Company shall not be required to sell or issue any Stock under any option if issuing that Stock would constitute or result in a violation by the Optionee or the Company of any provision of any law, statute, or regulation of any governmental authority. Specifically, in connection with any applicable state or regulation relating to the registration of securities, upon exercise of any Option, the Company shall not be required to issue any Stock unless the Company has received evidence satisfactory to it to the effect that the holder of that Option 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. In the event the Stock issuable on exercise of an Option 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. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an Option, or the issuance of shares under it, to comply with any law or regulation of any governmental authority.

15. NO RIGHTS AS STOCKHOLDER. No Optionee shall have any rights as a stockholder with respect to Stock covered by any Option until the date a stock certificate is issued for the Stock, and, except as otherwise provided in Paragraph 17 hereof, no adjustment for dividends, or otherwise, shall be made if the record date thereof is prior to the date of issuance of such certificate.

16. NO OBLIGATION TO RETAIN OPTIONEE. The granting of any Option shall not impose upon the Company or its stockholders any obligation to retain or continue to retain any Optionee or nominate any Optionee for election to continue in his capacity as a director of the Company. The right of the Company, the Board, and the stockholders to terminate the service of any Optionee as a director shall not be diminished or affected by reason of the fact that one or more Options have been or would be granted to him.

17. CHANGES IN THE COMPANY'S CAPITAL STRUCTURE. The existence of outstanding Options or Stock Awards shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalization, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Stock or its rights, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

If the Company shall effect a subdivision or consolidation of shares or other capital readjustment the payment of a stock dividend, or other increase or reduction of the number of shares of the Stock outstanding, without receiving compensation for it in money, services or property, then (a) the number, class, and per share price of shares of Stock subject to outstanding Options under this Plan shall be appropriately adjusted in such a manner as to entitle an Employee to receive upon exercise of an Option, for the same aggregate cash consideration, the equivalent total number and class of shares he would have received had he exercised his Option in full immediately prior to the event requiring the adjustment; and (b) the number and class of shares of Stock then reserved to be issued under the Plan shall be adjusted by substituting for the total number and class of shares of Stock then reserved, that number and class of shares of Stock that would have been received by the owner of an equal number of outstanding shares of each class of Stock as the result of the event requiring the adjustment.

If while unexercised Options remain outstanding under the Plan (i) the Company shall not be the surviving entity in any merger, consolidation or other reorganization, (or survives only as a subsidiary of an entity other than an entity that was wholly-owned by the Company immediately prior to such merger, consolidation or other reorganization), (ii) the Company sells, leases or exchanges or agrees to sell, lease or exchange all or substantially all of its assets to any other person or entity (other than an entity wholly-owned by the Company), (iii) the Company is to be dissolved, or (iv) the Company is a party to any other corporate transaction (as defined under Section 424(a) of the Code and applicable Treasury Regulations) that is not described in clauses (i), (ii) or (iii) of this sentence (each such event is referred to herein as a "Corporate Change"), then (x) except as otherwise provided in an Option Agreement or as a result of the Committee's effectuation of one or more of the alternatives described below, there shall be no acceleration of the time at which any Option then outstanding may be exercised, and (y) no later than ten (10) days after the approval by the stockholders of the Company of such Corporate Change, the Committee, without the consent or approval of any Optionee, shall act to effect one or more of the following alternatives, which may vary among individual Optionees and which may vary among Options held by any individual Optionee:

(1) accelerate the time at which some or all of the Options then outstanding may be exercised so that such Options may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all such Options that remain unexercised and all rights of Optionees thereunder shall terminate,

(2) require the mandatory surrender to the Company by all or selected Optionees of some or all of the then outstanding Options held by such Optionee (irrespective of whether such Options are then exercisable under the provisions of this Plan or the Option Agreements evidencing such Options) as of a

date, before or after such Corporate Change, specified by the Committee, in which event the Committee shall thereupon cancel such Options and the Company shall pay to each such Optionee an amount of cash per share equal to the excess, if any, of the per share price offered to stockholders of the Company in connection with such Corporate Change over the exercise price(s) under such Options for such shares,

(3) with respect to all or selected Optionees, have some or all of their then outstanding Options (whether vested or unvested) assumed or have a new Option substituted for some or all of their then outstanding options (whether vested or unvested) by an entity which is a party to the transaction resulting in such Corporate Change and which is then, employing him, or a parent or subsidiary of such entity, provided that (A) such assumption or substitution is on a basis where the excess of the aggregate fair market value of the shares subject to the Option immediately after the assumption or substitution over the aggregate exercise price of such shares is equal to the excess of the aggregate fair market value of all shares subject to the Option immediately before such assumption or substitution over the aggregate exercise price of such shares, and (B) the assumed rights under such existing option or the substituted rights under such new Option as the case may be will have the same terms and conditions as the rights under the existing Option assumed or substituted for, as the case may be,

(4) provide that the number and class of shares of Stock covered by an Option (whether vested or unvested) theretofore granted shall be adjusted so that such Option when exercised shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Optionee would have been entitled pursuant to the terms of the agreement and/or plan relating to such Corporate Change if, immediately prior to such Corporate Change, the Optionee had been the holder of record of the number of shares of Stock then covered by such Option, or

(5) make such adjustments to Options then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine that no such adjustment is necessary).

In effecting one or more of alternatives (3), (4) or (5) above, and except as otherwise may be provided in an Option Agreement, the Committee, in its sole and absolute discretion and without the consent or approval of any Optionee, may accelerate the time at which some or all Options then outstanding may be exercised.

In the event of changes in the outstanding Stock by reason of recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any Option and not otherwise provided for by this Section 17, any outstanding Options and any agreements evidencing such Options shall be subject to adjustment by the Committee as to the number and price of shares of stock or other consideration subject to such Options. In the event of any such change in the outstanding Stock, the aggregate number of shares available under this Plan may be appropriately adjusted by the Committee.

After a merger of one or more corporations into the Company or after a consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, each Employee shall be entitled to have his Restricted Stock appropriately adjusted based on the manner the Stock was adjusted under the terms of the agreement of merger or consolidation.

The issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe for them, or upon conversion of shares or obligations of the Company convertible into shares or other securities, shall not affect, and no adjustment by reason of such issuance

shall be made with respect to, the number, class, or price of shares of Stock then subject to outstanding Options or Stock Awards.

18. TERMINATION AND AMENDMENT OF PLAN. The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion; provided, however, 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, the Employee Retirement Income Security Act or the rules and regulations promulgated thereunder, and provided, further, 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 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.

19. WRITTEN AGREEMENT. Each Option granted hereunder shall be embodied in written agreement, which shall be subject to the terms and conditions of this Plan and shall be signed by the Optionee and by the Chairman of the Board, the Vice Chairman, the President or any Vice President of the Company for and in the name and on behalf of the Company.

20. INDEMNIFICATION OF 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 institution of any action, suit or proceeding he shall have offered the Company, in writing, the opportunity to handle and defend 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.

21. FORFEITURES. Notwithstanding any other provision of this Plan, if, before or after termination of the Optionee's capacity as a director of the Company, there is an adjudication by a court of competent jurisdiction that the Optionee committed fraud, embezzlement, theft, commission of felony, or proves dishonesty in the course of his advisory relationship to the Company and its affiliates which conduct materially damaged the Company or its affiliates, or disclosed trade secrets of the Company or its affiliates, then any outstanding options which have not been exercised by Optionee shall be forfeited. In order to provide the Company with an opportunity to enforce this Section, an Option may not be exercised if a lawsuit alleging that an action described in the preceding sentence has taken place until a final resolution of the lawsuit favorable to the Optionee.

22. GENDER. If the context requires, words of one gender when used in this Plan shall include the others and words used in the singular or plural shall include the other.

23. HEADINGS. Headings are included for convenience of reference only and do not constitute part of the Plan and shall not be used in construing the terms of the Plan.

24. GOVERNING LAW. The provisions of this Plan shall be construed, administered, and governed under the laws of the State of Texas.

POWELL INDUSTRIES, INC.
DEFERRED COMPENSATION PLAN

WHEREAS, Powell Industries, Inc. (the "Company") heretofore adopted a deferred compensation plan for a select group of management and highly compensated employees;

WHEREAS, the Company reserved the right to amend the Plan from time to time; and

WHEREAS, the Company desires to amend and restate the Plan in its entirety;

NOW, THEREFORE, the Company hereby adopts the Powell Industries, Inc. Deferred Compensation Plan, effective December 5, 2002, with respect to any bonus eligible for deferral prior to December 31, 2002 and January 1, 2003 for Compensation and future bonuses eligible for deferral on and after January 1, 2003, the terms of which are set forth in this document as it may be amended from time to time, effective on December 5, 2002.

ARTICLE I

DEFINITIONS

1.1 "ACCOUNT" means all ledger accounts pertaining to a Participant which are maintained by the Committee to reflect the amount of deferred compensation due the Participant. The Committee shall establish the following Accounts and any additional Accounts that the Committee considers necessary.

(a) Deferral Account - The Participant's deferral, if any, between one percent and 50 percent of his base Compensation, and the Participant's deferral, if any, between one percent and 100 percent, minus applicable taxes, of any incentive bonus or commissions paid to the Participant.

(b) Company Match Accrual Account - The Company's matching contribution, if any, equal to a percentage of the Participant's Deferral.

1.2 "BENEFICIARY" means a person or entity designated by the Participant under the terms of the Plan to receive a payment under the Plan upon the death of the Participant.

1.3 "BOARD OF DIRECTORS" means the Board of Directors of the Company.

1.4 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

1.5 "COMPANY" means Powell Industries, Inc.

1.6 "COMPANY MATCH ACCRUAL" means the match which the Company accrues with respect to the amount deferred during a Plan Year by a Participant under the Plan.

1.7 "COMPENSATION" means remuneration paid to a Participant by the Company during the portion of the Plan Year in which he is eligible to participate in the Plan, or that would have been paid to a Participant during the Plan Year by the Company but for the Participant's election to make a Deferral under the Plan or his deferrals under a cash or deferred arrangement described in section 401(k) of the Code or a cafeteria plan described in section 125 of the Code, including and limited to regular base pay as determined by the Committee in its sole discretion, commissions, merit and incentive bonuses (other than bonuses paid by the Company with respect to services for a predecessor employer that has not adopted the Plan or with respect to services performed by the Participant prior to his employment by the Company, as determined by the Committee in its sole discretion), excluding however, car allowance payments.

1.8 "COMMITTEE" means the persons who are from time to time serving as members of the committee administering the Plan.

1.9 "DEFERRAL" means the amount of Compensation deferred under a deferral election made by a Participant under Section 3.1.

1.10 "DEFERRED COMPENSATION LEDGER" means the ledger maintained by the Committee for each Participant which reflects the amount of Compensation deferred by the Participant under the Plan, Company Match Accrual and the provided under the Plan, and the amount of earnings and losses credited on each of these amounts.

1.11 "DISABILITY" means any medically determinable physical or mental impairment that is deemed to be a disability by the Social Security Administration Department for purpose of receiving a primary Social Security disability benefit, or any such physical or mental impairment which is determined to make the Participant eligible to receive a disability benefit in accordance with the provisions of the Company's insured long term disability plan, if applicable to such Participant, by the insurance carrier underwriting such plan.

1.12 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.13 "INVESTMENT FUND" means a mutual fund or other investment option that is designated by the Committee for purposes of determining the amount of the Company's deferred compensation obligation to a Participant under the Plan.

1.14 "PARTICIPANT" means an employee of a Company who is eligible to participate in the Plan.

1.15 "PLAN" means the Powell Industries, Inc. Deferred Compensation Plan set out in this document, as amended from time to time.

1.16 "PLAN YEAR" means a one-year period which coincides with the calendar year. Therefore, the first Plan Year of the Plan shall be a short plan year from December 1, 2002 through December 31, 2002.

1.17 "RETIREMENT" means the voluntary termination of employment with the Company at or after attaining age 65 (normal retirement). A Participant may retire early at age 55 with five (5) years of active service with the Company.

1.18 "SAVINGS PLAN" means the Powell Industries, Inc. Employees Incentive Savings Plan.

1.19 "TRUST" means the Powell Industries, Inc. Deferred Compensation Trust.

1.20 "VALUATION DATE" means the end of each calendar quarter unless the Committee selects another date.

ARTICLE II

ELIGIBILITY

The employees eligible to participate in the Plan include the key employees of the Company, who are in a select group of management or are highly compensated employees, as determined by the Committee. The Committee shall notify each Participant of his eligibility to participate in the Plan. Each Participant in the Plan during a Plan Year shall continue to participate in the Plan unless the Committee shall have notified the Participant that he will not be eligible to participate in the Plan. A former Participant who has been notified that he will no longer participate in the Plan, but who remains in the employ of the Company, shall retain the balance in his Accounts under the terms of the Plan, but he shall not make additional deferrals under Section 3.1 and no additional amounts shall be credited to his Accounts under Sections 4.3 and 4.4 during the periods in which he is not a Participant.

ARTICLE III

DEFERRALS AND ACCRUALS

3.1 DEFERRAL ELECTION. A Participant may elect, within 30 days of notification that he is eligible to participate in the Plan, the percentage, if any, of his Compensation to be earned during the ensuing Plan Year, that is to be deferred under the Plan. A Participant may elect to defer a minimum of one percent but not more than 50 percent of his base Compensation for the Plan Year, and may defer a minimum of one percent and a maximum of 100 percent, minus applicable taxes, of any incentive bonus or commissions to be paid to the Participant for the Plan Year. Prior to the election period the Committee shall notify all eligible Participants of their right to make a deferral election. Once an election has been made as to the percentage to be deferred, it becomes irrevocable for the Plan Year. The election to defer a percentage of Compensation shall be effective only upon the timely receipt by the Committee of the Participant's percentage deferral election on such form as will be determined by the Committee from time to time. If an election form is not received on or prior to the beginning of the Plan Year to which the election applies, the Participant shall be deemed to have elected not to defer any part of his Compensation for that Plan Year.

Notwithstanding the foregoing, if a Participant takes a withdrawal from the Savings Plan for reasons of a financial hardship, no amounts may be deferred under this Plan for a period of six months following the withdrawal and until the Participant files a new election form under this Plan. A Participant's election to defer amounts under this Plan following such six-month period shall not be effective until the beginning of the next Plan Year.

3.2 COMPANY MATCH ACCRUAL. Each Plan Year the Company shall credit the Company Match Account of each Participant who elects to defer a portion of his Compensation under the Plan with an amount equal to the difference between A and B where A is equal to

amount of the employer matching contribution the Participant would have been allocated under the Savings Plan for such Plan Year had the Participant's compensation for under the Savings Plan included the amount the Participant elected to defer under this Plan and B is equal to the amount of the employer matching contribution the Participant was allocated under the Savings Plan for such Plan Year.

ARTICLE IV

ACCOUNT

4.1 ESTABLISHING A PARTICIPANT'S ACCOUNT. The Committee shall establish an Account for each Participant in a special Deferred Compensation Ledger which shall be maintained by the Company. The Account shall reflect the amount of the Company's obligation to the Participant at any given time.

4.2 DEFERRAL ACCOUNT. The amount deferred by a Participant, if any, shall be credited to each Participant's Deferral Account as of the last day of each month in which the Participant would have received the amount deferred but for his election to defer.

4.3 COMPANY MATCH ACCRUAL ACCOUNT. The Company Match, if any, shall be credited to each Participant's Company Match Account as of the last day of the Plan Year for the accrual attributable to Compensation paid during that Plan Year.

4.4 CREDITING OF INTEREST. As part of a Participant's total benefit under the Plan, each Participant's Account shall be credited with earnings (or losses) equal to the amount which is deemed to be earned on his bookkeeping Account established to enable the Company to determine its obligations under the Plan. Each Valuation Date the Committee or its delegate will determine the amount of earnings (or losses) to be allocated to a Participant's Account and will credit that amount to the Participant's Account. For the purpose of determining the earnings (or losses) to be credited to the Participant's Account, the Committee shall assume that the Participant's Account is invested in units or shares of the Investment Funds in the proportions selected by the Participant in accordance with procedures established by the Committee. This amount accrued by the Committee as additional deferred compensation shall be a part of the Company's obligation to the Participant and payment of it shall be a general obligation of the Company. Earnings (or losses) will continue to be credited to a Participant's Account each

Valuation Date until his entire benefit due under the Plan has been paid in full. The determination of interest based on the income and appreciation of the Participant's Account shall in no way affect the ability of the general creditors of the Company to reach the assets of the Company in the event of the insolvency or bankruptcy of the Company or place the Participants in a secured position ahead of the general creditors of the Company. Although a Participant's investment selections made in accordance with the terms of the Plan and such procedures as may be established by the Committee shall be relevant for purposes of determining the Company's obligation to the Participant under the Plan, there is no requirement that any assets of the Company shall be invested in accordance with the Participant's investment selections.

ARTICLE V

VESTING

A Participant shall have a 100 percent nonforfeitable interest in his Deferrals and his Company Match Accruals under the Plan at all times. A Participant will also have a 100 percent nonforfeitable interest in any increase in the Deferral and Company Match Accrual as a result of the crediting of interest in accordance with Section 4.5 after his Deferral and Company Match Accrual has been initially credited or accrued.

V-I

ARTICLE VI

DISTRIBUTIONS

6.1 DEATH. Upon the death of a Participant, his Beneficiary or Beneficiaries shall receive the value of the amounts credited to the Participant's Accounts in the Deferred Compensation Ledger determined under Section 6.9.

Each Participant, upon notification of his participation in the Plan, shall file with the Committee a designation of a Beneficiary or Beneficiaries to whom distributions otherwise due the Participant shall be made in the event of his death prior to the distribution of the amount credited to his Accounts in the Deferred Compensation Ledger. The designation will be effective upon receipt by the Committee of a properly executed form which the Committee has approved for that purpose. The Participant may from time to time revoke or change any designation of Beneficiary by filing another approved Beneficiary designation form with the Committee. If there is no valid designation of Beneficiary on file with the Committee at the time of the Participant's death, or if all of the Beneficiaries designated in the last Beneficiary designation have predeceased the Participant or otherwise ceased to exist, the Beneficiary will be the Participant's spouse, if the spouse survives the Participant, or otherwise the Participant's estate. Any Beneficiary designation which designates any person or entity other than the Participant's spouse must be consented to in writing by the spouse in a form acceptable to the Committee in order to be effective.

6.2 DISABILITY. Upon the Disability of a Participant, the Participant shall receive the value of the amounts credited to the Participant's Accounts in the Deferred Compensation Ledger determined under Section 6.9.

6.3 RETIREMENT. Upon the Retirement of a Participant, the Participant shall receive the value of the amounts credited to his Accounts in the Deferred Compensation Ledger determined under Section 6.9.

6.4 TERMINATION PRIOR TO DEATH, DISABILITY OR RETIREMENT. Upon a Participant's termination from the employ of the Company prior to his death, Disability or Retirement, the Participant shall receive the portion of the amount credited to his Accounts in the Deferred Compensation Ledger determined under Section 6.9, which is vested under Sections 5.1 and 5.2.

6.5 TIME AND FORM OF BENEFIT PAYMENTS. Distributions under the Plan shall be made in one lump sum payment or in equal monthly installments over a three-, five- or ten-year period. All distributions shall be made in cash. Each Participant shall have the right to elect, to revoke or to change any election of the form of distribution at the time and under the rules established by the Committee. Initially, however, a Participant must elect prior to becoming a Participant, the form of distribution. If a Participant fails to designate a form of distribution, the Participant's benefit under the Plan shall be made in a single lump sum payment. Except for distributions due to Disability or death, all other elections of form of distribution and all revocations or changes of election of form of distribution shall be effective only if the election, revocation or change is received by the Committee in proper form one year prior to the event which required a distribution under the Plan. During that one-year period prior to the effective date of such election, revocation or change, the last effective election, revocation or change made by the Participant shall continue to remain in force. With respect to distributions due to Disability or death, the form of distribution elected on the last election form by the Participant shall be the form of distribution made to the Disabled Participant or, in the case of death, the Participant's Beneficiary. If installment payments are elected by the Participant and the

Participant dies after he has retired and prior to receiving all installment payments, to which he is entitled, the remaining installments shall be paid to the Participant's Beneficiary. In addition, if installment payments are being paid to a Participant, the Participant may elect to receive a single sum payment of the remaining installment payments, less a penalty equal to ten percent (10%) of the remaining balance in his total Account. The Committee has the sole discretion as to determining the date, nature and reason of any termination of employment by a Participant.

A distribution shall be made or commence within 30 days after the Participant's death, Disability, Retirement or termination prior to death, Disability or Retirement.

6.6 HARDSHIP DISTRIBUTION ELECTIONS. In addition to receiving a distribution of his Deferral Account upon death, Disability, or Retirement, each Participant may, in accordance with procedures established by the Committee, request to receive a distribution of all or any portion of his Deferral Account on account of a major, unanticipated, financial emergency.

6.7 IN-SERVICE WITHDRAWALS. In addition to the in-service distribution election provided for under Section 6.5 of the Plan, each Participant may, receive a withdrawal of all or any portion of the value of the Deferral Account, less a penalty equal to ten percent (10%) of the value of the Deferral Account. No in-service withdrawals are permitted from a Participant's Company Match Accrual Account. The Participant's withdrawal request for Deferral Contributions terminates the right to make any Deferrals until the next time Deferral elections are permitted after the lapse of one (1) year following the withdrawal.

6.8 RESPONSIBILITY FOR DISTRIBUTIONS AND WITHHOLDING OF TAXES. The Committee shall furnish information to the Company concerning the amount and form of distribution to any Participant entitled to a distribution so that the Company may make or cause the Trust to make the distribution required. It will also calculate the deductions from the amount of the benefit

paid under the Plan for any taxes required to be withheld by federal, state or local government and will cause them to be withheld and paid to the appropriate authority.

6.9 ACQUISITIONS, MERGERS, OR CONSOLIDATIONS. If the Company is a party to any merger, consolidation or other reorganization, sells, leases or exchanges or agrees to sell, lease or exchange all or substantially all of its assets to any other person or entity (other than an entity wholly-owned by the Company), is to be dissolved, or is a party to any other corporate transaction (as defined under Section 424(a) of the Code and applicable Treasury Regulations) that is not described in this sentence, then the Committee, acting in its sole and absolute discretion without the consent or approval of any Participant, may immediately vest each Participant in the Plan and/or make or cause the Trust to make a single lump sum cash distribution of the value of the amounts credited to each of the Participants' Accounts in the Deferred Compensation Ledger determined under Section 6.9 to each Participant or Beneficiary under the Plan.

6.10 DISTRIBUTION DETERMINATION DATE. For purposes of all distributions described in this Article VI, the determination date for valuing the amounts credited to a Participant's Accounts shall be the Valuation Date immediately preceding the event which triggers the beginning of the 90-day period described in Section 6.1, 6.2, 6.3, 6.4, or 6.8 as applicable.

ARTICLE VII

ADMINISTRATION

7.1 COMMITTEE APPOINTMENT. The Committee which shall consist of not less than three members shall be appointed by the Compensation Committee of the Board of Directors. Each Committee member shall serve until his resignation or removal. The Compensation Committee of the Board of Directors shall have the sole discretion to remove any one or more Committee members and appoint one or more replacement or additional Committee members from time to time.

7.2 COMMITTEE ORGANIZATION AND VOTING. The Committee shall select from among its members a chairman who shall preside at all of its meetings and shall elect a secretary without regard to whether that person is a member of the Committee. The secretary shall keep all records, documents and data pertaining to the Committee's supervision and administration of the Plan. A majority of the members of the Committee shall constitute a quorum for the transaction of business and the vote of a majority of the members present at any meeting shall decide any question brought before the meeting. In addition, the Committee may decide any question by a vote, taken without a meeting, of a majority of its members. A member of the Committee who is also a Participant shall not vote or act on any matter relating solely to himself.

7.3 POWERS OF THE COMMITTEE. The Committee shall have the exclusive responsibility for the general administration of the Plan according to the terms and provisions of the Plan and shall have all powers necessary to accomplish those purposes, including but not by way of limitation the right, power and authority:

(a) to make rules and regulations for the administration of the Plan;

(b) to construe all terms, provisions, conditions and limitations of the Plan;

(c) to correct any defect, supply any omission or reconcile any inconsistency that may appear in the Plan in the manner and to the extent it deems expedient to carry the Plan into effect;

(d) to designate the persons eligible to become Participants;

(e) to determine all controversies relating to the administration of the Plan, including but not limited to:

(1) differences of opinion arising between the Company and a Participant; and

(2) any question it deems advisable to determine in order to promote the uniform administration of the Plan for the benefit of all parties at interest; and

(f) to delegate by written notice those clerical and recordation duties of the Committee, as it deems necessary or advisable for the proper and efficient administration of the Plan.

7.4 COMMITTEE DISCRETION. The Committee in exercising any power or authority granted under the Plan or in making any determination under the Plan shall perform or refrain from performing those acts using its sole discretion and judgment. Any decision made by the Committee or any refraining to act or any act taken by the Committee in good faith shall be final and binding on all parties and shall not be subject to de novo review.

7.5 ANNUAL STATEMENTS. The Committee shall cause each Participant to receive an annual statement as soon as administratively feasible after the conclusion of each Plan Year containing a statement of the Participant's Accounts in the Deferred Compensation Ledger through the end of that Plan Year. The statement shall include a report of the Participant Deferral, Company Match Accrual, if any, and , if any, and the number of units credited to each Participant's Accounts for that Plan Year.

7.6 REIMBURSEMENT OF EXPENSES. The Committee shall serve without compensation for its services but shall be reimbursed by the Company for all expenses properly and actually incurred in the performance of its duties under the Plan.

7.7 STANDARD OF JUDICIAL REVIEW OF COMMITTEE ACTIONS. The Committee has full and absolute discretion in the exercise of each and every aspect of the rights, power, authority and duties retained or granted it under the Plan, including without limitation, the authority to determine all facts, to interpret this Plan, to apply the terms of this Plan to the facts determined, to make decisions based upon those facts and to make any and all other decisions required of it by this Plan, such as the right to benefits, the correct amount and form of benefits, the determination of any appeal, the review and correction of the actions of any prior administrative committee, and the other rights, powers, authority and duties specified in this Article and elsewhere in this Plan. Notwithstanding any provision of law, or any explicit or implicit provision of this document, any action taken, or finding, interpretation, ruling or decision made by the Committee in the exercise of any of its rights, powers, authority or duties under this Plan shall be final and conclusive as to all parties, including without limitation all Participants, former Participants and Beneficiaries, regardless of whether the Committee or one or more of its members may have an actual or potential conflict of interest with respect to the subject matter of the action, finding, interpretation, ruling or decision. No final action, finding, interpretation, ruling or decision of the Committee shall be subject to de novo review in any judicial proceeding. No final action, finding, interpretation, ruling or decision of the Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue.

7.8 CLAIMS PROCEDURES. When a benefit is due, the Participant or Beneficiary should submit a claim to the office designated by the Committee to receive claims. Under normal circumstances, the Committee will make a final decision as to a claim within 90 days after receipt of the claim. If the Committee notifies the claimant in writing during the initial 90-day

period, it may extend the period up to 180 days after the initial receipt of the claim. The written notice must contain the circumstances necessitating the extension and the anticipated date for the final decision. If a claim is denied during the claims period, the Committee must notify the claimant in writing. The denial must include the specific reasons for it, the Plan provisions upon which the denial is based, any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and the Plan's review procedures and time limits, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA.

If a Participant's or Beneficiary's claim is denied and he wants a review, he must apply to the Committee in writing. That application can include any arguments, written comments, documents, records, and other information relating to the claim for benefits. In addition, the claimant is entitled to receive on request and free of charge reasonable access to and copies of all information relevant to the claim. For this purpose, "relevant" means information that was relied on in making the benefit determination or that was submitted, considered or generated in the course of making the determination, without regard to whether it was relied on, and information that demonstrates compliance with the Plan's administrative procedures and safeguards for assuring and verifying that Plan provisions are applied consistently in making benefit determinations. The Committee must take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether the information was submitted or considered in the initial benefit determination. The claimant may either represent himself or appoint a representative, either of whom has the right to inspect all documents pertaining to the claim and its denial. The Committee can schedule any meeting with the claimant or his representative that it finds necessary or appropriate to complete its review.

The request for review must be filed within 90 days after the denial. If it is not, the denial becomes final. If a timely request is made, the Committee must make its decision, under normal circumstances, within 60 days of the receipt of the request for review. However, if the Committee notifies the claimant prior to the expiration of the initial review period, it may extend the period of review up to 120 days following the initial receipt of the request for a review. All decisions of the Committee must be in writing and must include the specific reasons for its action, the Plan provisions on which its decision is based, and a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits, and a statement of the claimant's right to bring an action under section 502(a) of ERISA. If a decision is not given to the claimant within the review period, the claim is treated as if it were denied on the last day of the review period.

ARTICLE VIII

AMENDMENT AND/OR TERMINATION

8.1 AMENDMENT OR TERMINATION OF THE PLAN. The Compensation Committee of the Board of Directors may amend or terminate the Plan at any time by an instrument in writing without the consent of any Participant.

8.2 NO RETROACTIVE EFFECT ON AWARDED BENEFITS. No amendment shall affect the rights of any Participant to the amounts and/or units then standing to his credit in his Accounts in the Deferred Compensation Ledger. However, Compensation Committee of the Board of Directors shall retain the right to change at any time and in any manner the method of calculating all amounts deferred by a Participant and all amounts matched by the Company to be accrued in the future and the gauge to be used to determine future increases or decreases in amounts accrued or deferred after the date of the amendment.

8.3 EFFECT OF TERMINATION. If the Plan is terminated, all amounts deferred by Participants and matched or accrued by the Company and credited to a Participant's Accounts shall immediately vest as if the Participant were entitled to and did retire on the date the Plan terminated. Distributions would then commence in accordance with Section 6.3.

ARTICLE IX

PAYMENT

9.1 PAYMENTS UNDER THIS AGREEMENT ARE THE OBLIGATION OF THE COMPANY. The Company shall be liable for all benefits due the Participants under the Plan.

9.2 PAYMENTS MAY BE MADE TO A RABBI TRUST. Under all circumstances, the rights of the Participants to the assets held in any rabbi trust created with respect to the Plan shall be no greater than the rights expressed in this agreement. Nothing contained in the trust agreement which creates any such rabbi trust shall constitute a guarantee by any Company that the amounts transferred by it to the trust shall be sufficient to pay any benefits under the Plan or would place the Participant in a secured position ahead of judgment and/or general creditors should the Company become insolvent or bankrupt. Any trust agreement established with respect to a Plan must specifically set out these principles so it is clear in the trust agreement that the Participants are only unsecured general creditors of the Company with respect to their benefits under the Plan.

9.3 PARTICIPANTS MUST RELY ONLY ON GENERAL CREDIT OF THE COMPANY. The Plan is only a general corporate commitment and each Participant must rely upon the general credit of the Company for the fulfillment of its obligations under the Plan. Under all circumstances the rights of Participants to any asset held by the Company shall be no greater than the rights expressed in this agreement. Nothing contained in this agreement shall constitute a guarantee by the Company that the assets of the Company will be sufficient to pay any benefits under the Plan or would place the Participant in a secured position ahead of general creditors and judgment creditors of the Company. Though the Company may establish or become a signatory to a rabbi trust to accumulate assets to help fulfill its obligations, the Plan and any trust created, shall not create any lien, claim, encumbrance, right, title or other interest of any kind in any Participant in

any asset held by the Company, contributed to any trust created, or otherwise be designated to be used for payment of any of its obligations created in this agreement. No specific assets of the Company have been or will be set aside, or will be transferred to a trust or will be pledged for the performance of the Company's obligations under the Plan which would remove those assets from being subject to the general creditors and judgment creditors of the Company.

9.4 PLAN UNFUNDED. It is intended that the Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA.

ARTICLE X

MISCELLANEOUS

10.1 LIMITATION OF RIGHTS. Nothing in the Plan will be construed:

(a) to give any employee of any Company any right to be designated a Participant in the Plan;

(b) to give a Participant any right with respect to the Deferral, the Company Match Accrual accrued or accrued except in accordance with the terms of the Plan;

(c) to limit in any way the right of the Company to terminate a Participant's employment with the Company at any time;

(d) to evidence any agreement or understanding, expressed or implied, that the Company will employ a Participant in any particular position or for any particular remuneration; or

(e) to give a Participant or any other person claiming through him any interest or right under the Plan other than that of any unsecured general creditor of the Company.

10.2 DISTRIBUTIONS TO INCOMPETENTS OR MINORS. Should a Participant become incompetent or should a Participant designate a Beneficiary who is a minor or incompetent, the Committee is authorized to pay the amounts due to the parent of the minor or to the guardian of the minor or incompetent or directly to the minor or to apply those amounts for the benefit of the minor or incompetent in any manner the Committee determines in its sole discretion.

10.3 NONALIENATION OF BENEFITS. No right or benefit provided in the Plan shall be transferable by the Participant except, upon his death, to a named Beneficiary as provided in the Plan. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit under the Plan shall in any manner be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to such benefits. If any Participant or any Beneficiary becomes bankrupt or attempts to

anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit under the Plan, that right or benefit shall, in the discretion of the Committee, cease. In that event, the Committee may have the Company hold or apply the right or benefit or any part of it to the benefit of the Participant or Beneficiary, his or her spouse, children or other dependents or any of them in any manner and in any proportion the Committee believes to be proper in its sole and absolute discretion, but is not required to do so.

10.4 RELIANCE UPON INFORMATION. The Committee shall not be liable for any decision or action taken in good faith in connection with the administration of the Plan. Without limiting the generality of the foregoing, any decision or action taken by the Committee when it relies upon information supplied it by any officer of the Company, the Company's legal counsel, the Company's independent accountants or other advisors in connection with the administration of the Plan shall be deemed to have been taken in good faith.

10.5 SEVERABILITY. If any term, provision, covenant or condition of the Plan is held to be invalid, void or otherwise unenforceable, the rest of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

10.6 NOTICE. Any notice or filing required or permitted to be given to the Committee or a Participant shall be sufficient if in writing and hand delivered or sent by U.S. mail to the principal office of the Company or to the residential mailing address of the Participant. Notice shall be deemed to be given as of the date of hand delivery or if delivery is by mail, as of the date shown on the postmark.

10.7 GENDER AND NUMBER. If the context requires it, words of one gender when used in the Plan will include the other genders, and words used in the singular or plural will include the other.

10.8 GOVERNING LAW. The Plan will be construed, administered and governed in all respects by the laws of the State of Texas.

10.9 SUCCESSORS, ACQUISITIONS, MERGERS, CONSOLIDATIONS. The terms and conditions of this Plan and each Deferral Election shall inure to the benefit of and bind the Company, the Participants, their successors, assigns, and personal representatives. The terms successors and assigns as used herein shall include any corporate or other business entity which shall include any consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Company and successors of any such corporation or other business entity.

10.10 EFFECTIVE DATE. The Plan, as amended and restated, will be operative and effective on the 5th day of December 2002.

IN WITNESS WHEREOF, the Company has executed this document on this 5th day of December 2002.

POWELL INDUSTRIES, INC.

By /s/ Don R. Madison

Title Vice President & Vice President

FIRST AMENDMENT TO LOAN AGREEMENT

This First Amendment to Loan Agreement (this "First Amendment") is made and entered into as of the 30th day of September, 2002, by and between POWELL INDUSTRIES, INC., a Nevada corporation ("Borrower"), and BANK OF AMERICA, N.A., a national banking association ("Lender").

WITNESSETH:

WHEREAS, pursuant to that certain Amended and Restated Loan Agreement (the "Loan Agreement") dated October 25, 2001, Lender agreed to make certain loans to Borrower upon the terms and conditions therein contained; and

WHEREAS, Borrower and Lender desire to modify and amend certain terms and provisions of the Loan Agreement.

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

1. Amendments to Loan Agreement. Subject to and upon the full and complete satisfaction of the terms and conditions of numerical Section 3 below, the Loan Agreement is amended and modified as follows:

1.1. The definition of the following term in Section 1.1 of the Loan Agreement is deleted in its entirety and the following is substituted in place thereof:

"TERMINATION DATE" shall mean the earlier to occur of (a) February 28, 2005, or (b) an Event of Default.

2. Reaffirmation of Representations and Warranties. To induce the Lender to enter into this First Amendment, Borrower hereby reaffirms, as of the date hereof, its representations and warranties in their entirety contained in the Loan Agreement and in all other Loan Documents executed by Borrower pursuant thereto (except to the extent such representations and warranties relate solely to an earlier date in which case they shall have been true and accurate in all respects as of such earlier date) and additionally represents and warrants as follows:

2.1. The execution and delivery of this First Amendment and the performance by Borrower of its obligations under this First Amendment and the Loan Agreement as amended hereby are within Borrower's powers, have been duly authorized by all necessary action, have received all necessary governmental and other approvals (if any shall be required), and do not and will not contravene or conflict with the governance documents of Borrower or any provision of law, any presently existing requirement or restriction imposed by any judicial, arbitral, regulatory or governmental instrumentality or constitute a default under, or result in the creation or imposition of any lien other than a lien permitted by the terms of the Loan Agreement upon any property or assets of

Borrower or any Guarantor under, any agreement, instrument or indenture by which Borrower or any Guarantor is bound;

2.2. This First Amendment has been duly executed and delivered on behalf of Borrower and this First Amendment and the Loan Agreement, as amended hereby, are the legal, valid and binding obligations of Borrower, enforceable in accordance with their terms subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles affecting the enforcement of creditors' rights generally; and

2.3. No Default or Event of Default has occurred and is continuing after giving effect to this First Amendment.

3. Conditions. The effectiveness of this First Amendment is subject to the following conditions, all in form and substance satisfactory to the Lender:

3.1. The Lender shall have received and approved:

(a) First Amendment. A counterpart of this First Amendment executed by Borrower and Guarantors;

(b) Other Documents. Such other documents as the Lender may reasonably request (which shall include without limitation, partnership certificates, and other authorization documents required by Lender in connection with the foregoing); and

(c) Expenses. Reimbursement for all of Lender's fees and expenses (including attorneys' fees) incurred in connection with the preparation, negotiation, and execution of this First Amendment.

3.2. All legal matters incident to the execution and delivery of this First Amendment shall be satisfactory to the Lender.

3.3. No Default or Event of Default shall be then continuing.

4. Arbitration and Waiver of Jury Trial.

(a) THIS SECTION CONCERNS THE RESOLUTION OF ANY CONTROVERSIES OR CLAIMS BETWEEN THE BORROWER AND THE LENDER, WHETHER ARISING IN CONTRACT, TORT OR BY STATUTE, INCLUDING BUT NOT LIMITED TO CONTROVERSIES OR CLAIMS THAT ARISE OUT OF OR RELATE TO: (i) THIS FIRST AMENDMENT AND THE LOAN AGREEMENT (INCLUDING ANY RENEWALS, EXTENSIONS OR MODIFICATIONS); OR (II) ANY DOCUMENT RELATED TO THIS FIRST AMENDMENT AND THE LOAN AGREEMENT (COLLECTIVELY A "CLAIM").

(b) AT THE REQUEST OF THE BORROWER OR LENDER, ANY CLAIM SHALL BE RESOLVED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (TITLE 9, U. S. CODE) (THE "ACT"). THE ACT WILL APPLY EVEN THOUGH THIS

AGREEMENT PROVIDES THAT IT IS GOVERNED BY THE LAW OF A SPECIFIED STATE.

(c) ARBITRATION PROCEEDINGS WILL BE DETERMINED IN ACCORDANCE WITH THE ACT, THE APPLICABLE RULES AND PROCEDURES FOR THE ARBITRATION OF DISPUTES OF JAMS OR ANY SUCCESSOR THEREOF ("JAMS"), AND THE TERMS OF THIS SECTION. IN THE EVENT OF ANY INCONSISTENCY, THE TERMS OF THIS PARAGRAPH SHALL CONTROL.

(d) THE ARBITRATION SHALL BE ADMINISTERED BY JAMS AND CONDUCTED IN ANY U. S. STATE WHERE REAL OR TANGIBLE PERSONAL PROPERTY COLLATERAL FOR THIS CREDIT IS LOCATED OR IF THERE IS NO SUCH COLLATERAL, IN TEXAS. ALL CLAIMS SHALL BE DETERMINED BY ONE ARBITRATOR; HOWEVER, IF CLAIMS EXCEED \$5,000,000, UPON THE REQUEST OF ANY PARTY, THE CLAIMS SHALL BE DECIDED BY THREE ARBITRATORS. ALL ARBITRATION HEARINGS SHALL COMMENCE WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION AND CLOSE WITHIN 90 DAYS OF COMMENCEMENT AND THE AWARD OF THE ARBITRATOR(S) SHALL BE ISSUED WITHIN 30 DAYS OF THE CLOSE OF THE HEARING. HOWEVER, THE ARBITRATOR(S), UPON A SHOWING OF GOOD CAUSE, MAY EXTEND THE COMMENCEMENT OF THE HEARING FOR UP TO AN ADDITIONAL 60 DAYS. THE ARBITRATOR(S) SHALL PROVIDE A CONCISE WRITTEN STATEMENT OF REASONS FOR THE AWARD. THE ARBITRATION AWARD MAY BE SUBMITTED TO ANY COURT HAVING JURISDICTION TO BE CONFIRMED AND ENFORCED.

(e) THE ARBITRATOR(S) WILL HAVE THE AUTHORITY TO DECIDE WHETHER ANY CLAIM IS BARRED BY THE STATUTE OF LIMITATIONS AND, IF SO, TO DISMISS THE ARBITRATION ON THAT BASIS. FOR PURPOSES OF THE APPLICATION OF THE STATUTE OF LIMITATIONS, THE SERVICE ON JAMS UNDER APPLICABLE JAMS RULES OF A NOTICE OF CLAIM IS THE EQUIVALENT OF THE FILING OF A LAWSUIT. ANY DISPUTE CONCERNING THIS ARBITRATION PROVISION OR WHETHER A CLAIM IS ARBITRABLE SHALL BE DETERMINED BY THE ARBITRATOR(S). THE ARBITRATOR(S) SHALL HAVE THE POWER TO AWARD LEGAL FEES PURSUANT TO THE TERMS OF THIS FIRST AMENDMENT AND THE LOAN AGREEMENT.

(f) THIS SECTION DOES NOT LIMIT THE RIGHT OF THE BORROWER OR THE LENDER TO: (i) EXERCISE SELF-HELP REMEDIES, SUCH AS BUT NOT LIMITED TO, SETOFF; (ii) INITIATE JUDICIAL OR NONJUDICIAL FORECLOSURE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL; (iii) EXERCISE ANY JUDICIAL OR POWER OF SALE RIGHTS, OR (iv) ACT IN A COURT OF LAW TO OBTAIN AN INTERIM REMEDY, SUCH AS BUT NOT LIMITED TO, INJUNCTIVE RELIEF, WRIT OF POSSESSION OR

APPOINTMENT OF A RECEIVER, OR ADDITIONAL OR SUPPLEMENTARY REMEDIES.

(g) BY AGREEING TO BINDING ARBITRATION, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM. FURTHERMORE, WITHOUT INTENDING IN ANY WAY TO LIMIT THIS AGREEMENT TO ARBITRATE, TO THE EXTENT ANY CLAIM IS NOT ARBITRATED, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF SUCH CLAIM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS FIRST AMENDMENT.

5. NO CONTROL BY LENDER. BORROWER AGREES AND ACKNOWLEDGES THAT ALL OF THE COVENANTS AND AGREEMENTS PROVIDED FOR AND MADE BY BORROWER IN THIS FIRST AMENDMENT, THE LOAN AGREEMENT, AND IN THE OTHER LOAN DOCUMENTS ARE THE RESULT OF EXTENSIVE AND ARMS-LENGTH NEGOTIATIONS BETWEEN BORROWER AND LENDER. LENDER'S RIGHTS AND REMEDIES PROVIDED FOR IN THE LOAN AGREEMENT AND IN THE OTHER LOAN DOCUMENTS ARE INTENDED TO PROVIDE LENDER WITH A RIGHT TO OVERSEE BORROWER'S ACTIVITIES AS THEY RELATE TO THE LOAN TRANSACTIONS PROVIDED FOR IN THE LOAN AGREEMENT, WHICH RIGHT IS BASED ON LENDER'S VESTED INTEREST IN BORROWER'S ABILITY TO PAY THE NOTES AND PERFORM THE OTHER OBLIGATIONS. NONE OF THE COVENANTS OR OTHER PROVISIONS CONTAINED IN THE LOAN AGREEMENT SHALL, OR SHALL BE DEEMED TO, GIVE LENDER THE RIGHT OR POWER TO EXERCISE CONTROL OVER, OR OTHERWISE IMPAIR, THE DAY-TO-DAY AFFAIRS, OPERATIONS, AND MANAGEMENT OF BORROWER; PROVIDED THAT IF LENDER BECOMES THE OWNER OF ANY STOCK OF ANY ENTITY, WHICH ENTITY OWNS AN INTEREST IN BORROWER, WHETHER THROUGH FORECLOSURE OR OTHERWISE, LENDER THEREAFTER SHALL BE ENTITLED TO EXERCISE SUCH LEGAL RIGHTS AS IT MAY HAVE BY BEING A SHAREHOLDER OF SUCH ENTITY.

6. Release. Borrower and Guarantors on their own behalf and on behalf of their predecessors, successors and assigns (collectively, the "RELEASING PARTIES"), hereby acknowledge and stipulate that as of the date of the execution of this First Amendment, none of the Releasing Parties has any claims or causes of action of any kind whatsoever against Lender or any of its officers, directors, employees, agents, attorneys, or representatives, or against any of their respective predecessors, successors, or assigns. Each of the Releasing Parties hereby forever releases, remises, discharges and holds harmless Lender and all of its officers, directors, employees, agents, attorneys, and representatives, and all of their respective predecessors, successors, and assigns, from any and all claims, causes of action, demands, and liabilities of any kind whatsoever, whether direct or indirect, fixed or contingent, liquidated or non-liquidated, disputed or undisputed, known or unknown, which any of the Releasing Parties has or may acquire in the future relating in any way

to any event, circumstance, action, or failure to act from the beginning of time through the date of the execution of this First Amendment.

7. Lien Continuation: Miscellaneous. The liens granted in the Loan Documents are hereby ratified and confirmed as continuing to secure the payment of the Notes. Nothing herein shall in any manner diminish, impair or extinguish the Notes, as may be modified and increased under the Loan Agreement or the liens securing the Notes. The liens granted in the Loan Documents are not waived. The Security Agreement is specifically amended to secure Term Note B and each other Note and all Swap Contracts. Borrower ratifies and acknowledges the Loan Documents as valid, subsisting, and enforceable and agrees that the indebtedness evidenced by the Notes is just, due, owing and unpaid, and is subject to no offsets, deductions, credits, charges or claims of whatsoever kind or character, and further agrees that all offsets, credits, charges and claims of whatsoever kind or character are fully settled and satisfied.

8. Defined Terms. Words and terms used herein which are defined in the Loan Agreement are used herein as defined therein, except as specifically modified by the terms of this First Amendment. Terms used in this First Amendment which are not defined in the Loan Agreement are used therein as herein defined.

9. Miscellaneous.

9.1. Preservation of the Loan Agreement. Except as specifically amended and modified by the terms of this First Amendment, all of the terms, provisions, covenants, warranties, and agreements contained in the Loan Agreement and in the other Loan Documents shall remain in full force and effect (any irreconcilable conflicts or inconsistencies between the terms of this First Amendment and the Loan Agreement, or any other Loan Document, shall be governed and controlled by this First Amendment).

9.2. Counterparts. This First Amendment may be executed in two or more counterparts, and it shall not be necessary that any one of the counterparts be executed by all of the parties hereto. Each fully or partially executed counterpart shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

9.3. Joinder. Each of the Guarantors join in the execution of this First Amendment to join in the release set forth in numerical section 6 above and to evidence that their Guaranty remains in full force and effect and is not limited or impaired as a result of the execution and delivery of this First Amendment by Borrower.

9.4. NO ORAL AGREEMENTS. THIS WRITTEN AGREEMENT AND THE OTHER WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NOT UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9.5. ACKNOWLEDGMENT. BORROWER HAS BEEN ADVISED BY LENDER TO SEEK THE ADVICE OF AN ATTORNEY AND AN ACCOUNTANT IN CONNECTION WITH THE COMMERCIAL LOANS EVIDENCED BY THE NOTES;

AND BORROWER HAS HAD THE OPPORTUNITY TO SEEK THE ADVICE OF AN ATTORNEY AND ACCOUNTANT OF BORROWER'S CHOICE IN CONNECTION WITH THE COMMERCIAL LOANS EVIDENCED BY THE NOTES.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date first above written.

POWELL INDUSTRIES, INC.

By: /s/ DON R. MADISON

Don R. Madison
Vice President
Chief Financial Officer

BORROWER

BANK OF AMERICA, N.A.

By: /s/ DANIEL J. LINTNER

Name: Daniel J. Litner

Title: Vice President

LENDER

SUBSIDIARIES OF POWELL INDUSTRIES, INC.

NAME OF
DOMESTIC
SUBSIDIARY
STATE OF
INCORPORATION

---- Delta-
Unibus Corp.
Illinois
Powell
Electrical
Manufacturing
Co. Delaware
Powell Power
Electronics
Company,
Inc.
Delaware
Powell-
Process
Systems,
Inc.
(Inactive)
Utah Powell-
ESCO Company
Texas
Unibus, Inc.
Ohio Powell
Energy
Systems Inc.
(Inactive)
Nevada
Transdyn
Controls,
Inc.
California
Traction
Power
Systems,
Inc.
Delaware

NAME OF
FOREIGN
SUBSIDIARY
COUNTRY OF
INCORPORATION

----- Powell
Foreign
Sales
Corporation
Barbados,
West Indies

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 period ending October 31, 2002 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.

Date: December 31, 2002

/s/ THOMAS W. POWELL

Thomas W. Powell
President and Chief Executive Officer

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 period ending October 31, 2002 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.

Date: December 31, 2002

/s/ DON R. MADISON

Don R. Madison
Vice President and Chief Financial Officer