UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2021

OR

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

For the transition period from to

Commission File Number 001-12488

Powell Industries, Inc.

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	POWL	NASDAQ Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer	☐	Accelerated filer	☒	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

At February 7, 2022, there were 11,763,843 outstanding shares of the registrant's common stock, par value $0.01 per share.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

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

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

	December 31, 2021	September 30, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 77,905	$ 114,314
Short-term investments	23,622	19,667
Accounts receivable, less allowance for credit losses of $411 and $333	79,478	78,304
Contract assets	67,904	54,199
Inventories	36,157	29,835
Income taxes receivable	217	161
Prepaid expenses	4,033	4,382
Other current assets	1,092	1,599
Total Current Assets	290,408	302,461
Property, plant and equipment, net	107,509	109,457
Operating lease assets, net	3,526	3,453
Goodwill and intangible assets, net	1,003	1,003
Deferred income taxes	5,554	4,639
Other assets	15,800	15,179
Total Assets	$ 423,800	$ 436,192
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ —	$ 400
Accounts payable	42,348	45,247
Contract liabilities	49,396	42,433
Accrued compensation and benefits	8,152	20,395
Accrued product warranty	2,443	2,531
Current operating lease liabilities	1,966	1,415
Income taxes payable	554	1,076
Other current liabilities	8,809	7,659
Total Current Liabilities	113,668	121,156
Long-term debt, net of current maturities	—	—
Deferred compensation	9,749	8,613
Long-term operating lease liabilities	1,866	2,413
Other long-term liabilities	2,938	2,787
Total Liabilities	128,221	134,969
Commitments and Contingencies (Note F)		
Stockholders' Equity:		
Preferred stock, par value $0.01; 5,000,000 shares authorized; none issued	—	—
Common stock, par value $0.01; 30,000,000 shares authorized; 12,569,861 and 12,497,691 shares issued, respectively	126	125
Additional paid-in capital	64,364	63,948
Retained earnings	276,390	282,505
Treasury stock, 806,018 shares at cost	(24,999)	(24,999)
Accumulated other comprehensive loss	(20,302)	(20,356)
Total Stockholders' Equity	295,579	301,223
Total Liabilities and Stockholders' Equity	$ 423,800	$ 436,192

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

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

	Three months ended December 31,	
	2021	**2020**
Revenues	$ 106,569	$ 106,575
Cost of goods sold	93,133	88,304
Gross profit	13,436	18,271
Selling, general and administrative expenses	15,902	16,874
Research and development expenses	1,824	1,673
Amortization of intangible assets	—	44
Operating loss	(4,290)	(320)
Interest expense	47	50
Interest income	(50)	(111)
Loss before income taxes	(4,287)	(259)
Income tax provision (benefit)	(1,441)	105
Net loss	$ (2,846)	$ (364)
Loss per share:		
Basic	$ (0.24)	$ (0.03)
Diluted	$ (0.24)	$ (0.03)
Weighted average shares:		
Basic	11,765	11,674
Diluted	11,765	11,674
Dividends per share	$ 0.26	$ 0.26

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

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

	Three months ended December 31,	
	2021	**2020**
Net loss	$ (2,846)	$ (364)
Foreign currency translation adjustments	54	4,349
Comprehensive income (loss)	$ (2,792)	$ 3,985

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

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
(In thousands)

	Common Stock		Additional Paid-in	Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Amount	Income/(Loss)	Totals
Balance, September 30, 2021	12,498	$ 125	$ 63,948	$ 282,505	(806)	$ (24,999)	$ (20,356)	$ 301,223
Net loss	—	—	—	(2,846)	—	—	—	(2,846)
Foreign currency translation adjustments	—	—	—	—	—	—	54	54
Stock-based compensation	72	1	1,007	—	—	—	—	1,008
Shares withheld in lieu of employee tax withholding	—	—	(660)	—	—	—	—	(660)
Dividends	—	—	69	(3,269)	—	—	—	(3,200)
Balance, December 31, 2021	12,570	$ 126	$ 64,364	$ 276,390	(806)	$ (24,999)	$ (20,302)	$ 295,579

	Common Stock		Additional Paid-in	Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Amount	Income/(Loss)	Totals
Balance, September 30, 2020	12,422	$ 124	$ 61,998	$ 294,016	(806)	$ (24,999)	$ (24,513)	$ 306,626
Net loss	—	—	—	(364)	—	—	—	(364)
Foreign currency translation adjustments	—	—	—	—	—	—	4,349	4,349
Stock-based compensation	59	1	893	—	—	—	—	894
Shares withheld in lieu of employee tax withholding	—	—	(632)	—	—	—	—	(632)
Dividends	—	—	—	(3,028)	—	—	—	(3,028)
Balance, December 31, 2020	12,481	$ 125	$ 62,259	$ 290,624	(806)	$ (24,999)	$ (20,164)	$ 307,845

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

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

	Three months ended December 31,	
	2021	**2020**
Operating Activities:		
Net loss	$ (2,846)	$ (364)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,414	2,630
Stock-based compensation	1,008	894
Bad debt expense (recovery), net	91	(19)
Deferred income taxes	(915)	(82)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,189)	(6,249)
Contract assets and liabilities, net	(6,730)	(4,955)
Inventories	(6,312)	244
Income taxes	(578)	267
Prepaid expenses and other current assets	857	166
Accounts payable	(2,918)	(7,387)
Accrued liabilities	(11,035)	(10,087)
Other, net	320	(234)
Net cash used in operating activities	(27,833)	(25,176)
Investing Activities:		
Purchases of short-term investments	(3,937)	(3,924)
Maturities of short-term investments	—	7,847
Purchases of property, plant and equipment, net	(436)	(961)
Net cash provided by (used in) investing activities	(4,373)	2,962
Financing Activities:		
Payments on industrial development revenue bonds	(400)	(400)
Shares withheld in lieu of employee tax withholding	(660)	(632)
Dividends paid	(3,048)	(3,028)
Net cash used in financing activities	(4,108)	(4,060)
Net decrease in cash and cash equivalents	(36,314)	(26,274)
Effect of exchange rate changes on cash and cash equivalents	(95)	74
Cash and cash equivalents at beginning of period	114,314	160,216
Cash and cash equivalents at end of period	$ 77,905	$ 134,016

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

A. Overview and Summary of Significant Accounting Policies

Overview

Powell Industries, Inc. (we, us, our, Powell or the Company) is incorporated in the state of Delaware. Powell's predecessor companies were founded 75 years ago by William E. Powell in 1947. Our major subsidiaries, all of which are wholly owned, include: Powell Electrical Systems, Inc.; Powell (UK) Limited; Powell Canada Inc.; and Powell Industries International, B.V.

We develop, design, manufacture and service custom-engineered equipment and systems which (1) distribute, control and monitor the flow of electrical energy and (2) provide protection to motors, transformers and other electrically powered equipment. We are headquartered in Houston, Texas and serve the oil and gas and petrochemical markets, which include onshore and offshore production, liquefied natural gas (LNG) facilities and terminals, pipelines, refineries and petrochemical plants. Additional markets include electric utility and light rail traction power as well as mining and metals, pulp and paper and other municipal, commercial and industrial markets.

Impact of the COVID-19 Pandemic and Oil and Gas Commodity Market Volatility on Powell

The COVID-19 pandemic continues to impact global energy markets. This pandemic has negatively impacted demand, which in turn has resulted in considerable volatility across global oil and gas commodity markets. As a result, some of our industrial customers are deferring or suspending their planned capital expenditures. Certain of our customers have asked that we delay or cancel our manufacturing on their projects as their operations have been negatively impacted by this pandemic and the reduced oil and gas demand, which has resulted in recognition of cancellation fees based on contract terms and the extent of our progress on the projects. We continue to work with and review the contracts with our key suppliers who have been impacted by this pandemic to ensure that we are able to meet our customer commitments.

The consequences of a prolonged global economic decline could include, but are not limited to, a continued reduction in commercial and industrial activity. The Company cannot reasonably estimate the duration or severity of this pandemic, or the extent to which the resulting disruptions may materially impact our business, results of operations or cash flows. We will take prudent measures to maintain our strong liquidity and cash position, which may include reducing our capital expenditures and research and development costs, as well as reducing or eliminating future dividend payments.

Basis of Presentation

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

These unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X for interim financial information. Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP), have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the financial position, results of operations and cash flows with respect to the interim condensed consolidated financial statements have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. We believe that these financial statements contain all adjustments necessary so that they are not misleading.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of Powell and its subsidiaries included in Powell’s Annual Report on Form 10-K for the year ended September 30, 2021, which was filed with the Securities and Exchange Commission (SEC) on December 8, 2021.

References to Fiscal 2022 and Fiscal 2021 used throughout this report shall mean our fiscal years ended September 30, 2022 and 2021, respectively.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying footnotes. The most significant estimates used in our condensed consolidated financial statements affect revenue recognition and estimated cost recognition on our customer contracts, the allowance for credit losses, provision for excess and obsolete inventory, warranty accruals and income taxes. The amounts recorded for warranties, legal, income taxes, impairment of long-lived assets (when applicable), liquidated damages and other contingent liabilities require judgments regarding the amount of expenses that will ultimately be incurred. We base our estimates on historical experience, forecasts and various other assumptions, as well as the specific circumstances surrounding these contingent liabilities, in evaluating the amount of liability that should be recorded. Additionally, the recognition of deferred tax assets requires estimates related to future income and other assumptions regarding timing and future profitability because the ultimate realization of net deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary differences become deductible. Estimates routinely change as new events occur, additional information becomes available or operating environments change. Actual results may differ from our prior estimates.

B. Earnings Per Share

We compute basic earnings per share by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per common and potential common share includes the weighted average of additional shares associated with the incremental effect of dilutive restricted stock and restricted stock units, as prescribed by the FASB guidance on earnings per share.

The following table reconciles basic and diluted weighted average shares used in the computation of earnings per share (in thousands, except per share data):

	Three months ended December 31,	
	2021	**2020**
Numerator:		
Net loss	$ (2,846)	$ (364)
Denominator:		
Weighted average basic shares	11,765	11,674
Dilutive effect of restricted stock units	—	—
Weighted average diluted shares	11,765	11,674
Loss per share:		
Basic	$ (0.24)	$ (0.03)
Diluted	$ (0.24)	$ (0.03)

For each of the three months ended December 31, 2021 and 2020, we incurred net losses and therefore all potential common shares were deemed to be anti-dilutive.

C. Detail of Selected Balance Sheet Accounts

Allowance for Credit Losses

Activity in our allowance for credit losses consisted of the following (in thousands):

	Three months ended December 31,	
	2021	**2020**
Balance at beginning of period	$ 333	$ 510
Bad debt expense (recovery), net	91	(19)
Uncollectible accounts written off, net of recoveries	(14)	(10)
Change due to foreign currency translation	1	12
Balance at end of period	$ 411	$ 493

Inventories

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

	December 31, 2021	September 30, 2021
Raw materials, parts and sub-assemblies, net	$ 35,295	$ 28,688
Work-in-progress	862	1,147
Total inventories	$ 36,157	$ 29,835

Accrued Product Warranty

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

	Three months ended December 31,	
	2021	2020
Balance at beginning of period	$ 2,531	$ 2,771
Increase to warranty expense	293	658
Deduction for warranty charges	(382)	(779)
Change due to foreign currency translation	1	25
Balance at end of period	$ 2,443	$ 2,675

D. Revenue

Revenue Recognition

Our revenues are primarily generated from the manufacturing of custom-engineered products and systems under long-term fixed-price contracts under which we agree to manufacture various products such as traditional and arc-resistant distribution switchgear and control gear, medium-voltage circuit breakers, monitoring and control communications systems, motor control centers, switches and bus duct systems. These products may be sold separately as an engineered solution but are typically integrated into custom-built enclosures which we also build. These enclosures are referred to as power control room substations (PCRs®), custom-engineered modules or electrical houses (E-Houses). Some contracts may also include the installation and the commissioning of these enclosures.

Revenue from these contracts is generally recognized over time utilizing the cost-to-cost method. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. We believe that this method is the most accurate representation of our performance, because it directly measures the value of the services transferred to the customer over time as we incur costs on our contracts. Contract costs include all direct materials, labor and indirect costs related to contract performance, which may include indirect labor, supplies, tools, repairs and depreciation costs.

We also have contracts to provide value-added services such as field service inspection, installation, commissioning, modification and repair, as well as retrofit and retrofill components for existing systems. If the service contract terms give us the right to invoice the customer for an amount that corresponds directly with the value of our performance completed to date (i.e., a service contract in which we bill a fixed amount for each hour of service provided), then we recognize revenue over time in each reporting period corresponding to the amount with which we have the right to invoice. Our performance obligations are satisfied as the work progresses. Revenues from our custom-engineered products and value-added services transferred to customers over time accounted for approximately 94% of total revenues for the three months ended December 31, 2021 and 92% of total revenues for the three months ended December 31, 2020.

Additionally, we have sales orders for spare parts and replacement circuit breakers for switchgear that are obsolete or that are no longer produced by the original manufacturer. Revenues from these sales orders are recognized at the time we fulfill our performance obligation to the customer, which is typically upon shipment and represented approximately 6% of total revenues for the three months ended December 31, 2021 and 8% of total revenues for the three months ended December 31, 2020.

Some contracts may contain a cancellation clause that could limit the amount of revenue we are able to recognize over time. In these instances, revenue and costs associated with these contracts are deferred and recognized at a point in time when the performance obligation is fulfilled.

Selling and administrative costs incurred in relation to obtaining a contract are typically expensed as incurred. We periodically utilize a third-party sales agent to obtain a contract and will pay a commission to that agent. We record the full commission liability to the third-party sales agents at the order date, with a corresponding deferred asset. As the project progresses, we record commission expense based on percentage of completion rates that correlate to the project and reduce the deferred asset. Once we have been paid by the customer, we pay the commission and the deferred liability is reduced.

Performance Obligations

A performance obligation is a promise in a contract or with a customer to transfer a distinct good or service. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue as the performance obligations are satisfied. To determine the proper revenue recognition for contracts, we evaluate whether a contract should be accounted for as more than one performance obligation or, less commonly, whether two or more contracts should be combined and accounted for as one performance obligation. This evaluation of performance obligations requires significant judgment. The majority of our contracts have a single performance obligation where multiple engineered products and services are combined into a single custom-engineered solution. Our contracts include a standard one-year assurance warranty. Occasionally, we provide service-type warranties that will extend the warranty period. These extended warranties qualify as a separate performance obligation, and revenue is deferred and recognized over the warranty period. If we determine during the evaluation of the contract that there are multiple performance obligations, we allocate the transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract.

Remaining unsatisfied performance obligations, which we refer to as backlog, represent the estimated transaction price for goods and services for which we have a material right, but work has not been performed. As of December 31, 2021, we had backlog of $416.0 million, of which approximately $301.7 million is expected to be recognized as revenue within the next twelve months. Backlog may not be indicative of future operating results as orders may be cancelled or modified by our customers. Our backlog does not include service and maintenance-type contracts for which we have the right to invoice as services are performed.

Contract Estimates

Actual revenues and project costs may vary from previous estimates due to changes in a variety of factors. The cost estimation process is based upon the professional knowledge and experience of our engineers, project managers and financial professionals. Factors that are considered in estimating the work to be completed and ultimate contract recovery include the availability and productivity of labor, the nature and complexity of the work to be performed, the availability of materials, and the effect of any delays on our project performance. We periodically review our job performance, job conditions, estimated profitability and final contract settlements, including our estimate of total costs and make revisions to costs and income in the period in which the revisions are probable and reasonably estimable. We bear the risk of cost overruns in most of our contracts, which may result in reduced profits. Whenever revisions of estimated contract costs and contract values indicate that the contract costs will exceed estimated revenues, thus creating a loss, a provision for the total estimated loss is recorded in that period.

For the three months ended December 31, 2021 and 2020, our operating results were positively impacted by $2.8 million and $5.5 million, respectively, as a result of changes in contract estimates related to projects in progress at the beginning of the respective period. These changes in estimates resulted primarily from favorable project execution and negotiations of variable consideration, discussed below, as well as revenue and reduced costs recognized from project cancellations and other changes in facts and circumstances during these periods. The decrease from the prior year is primarily due to the increase in raw material commodity costs.

Variable Consideration

It is common for our long-term contracts to contain variable consideration that can either increase or decrease the transaction price. Due to the nature of our contracts, estimating total cost and revenue can be complex and subject to variability due to change orders, back charges, spare parts, early completion bonuses, customer allowances and liquidated damages. We estimate the amount of variable consideration based on the expected value method, which is the sum of the probability-weighted amounts, or the most likely amount method which uses various factors including experience with similar transactions and assessment of our anticipated performance. Variable consideration is included in the transaction price if legally enforceable and to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur once the uncertainty associated with the variable consideration is resolved.

Contract Modifications

Contracts may be modified for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new or changes the enforceable rights and obligations under the contract. Most of our contract modifications are for goods and services that are not distinct from the existing performance obligation. Contract modifications result in a cumulative catch-up adjustment to revenue based on our measure of progress for the performance obligation.

Contract Balances

The timing of revenue recognition, billings and cash collections affects accounts receivable, contract assets and contract liabilities in our Condensed Consolidated Balance Sheets.

Contract assets are recorded when revenues are recognized in excess of amounts billed for fixed-price contracts as determined by the billing milestone schedule. Contract assets are transferred to accounts receivable when billing milestones have been met, or we have an unconditional right to payment.

Contract liabilities typically represent advance payments from contractual billing milestones and billings in excess of revenue recognized. It is unusual to have advanced milestone payments with a term greater than one year, which could represent a financing component on the contract.

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period and are generally classified as current.

Contract assets and liabilities as of December 31, 2021 and September 30, 2021 are summarized below (in thousands):

	December 31, 2021	September 30, 2021
Contract assets	$ 67,904	$ 54,199
Contract liabilities	(49,396)	(42,433)
Net contract asset	$ 18,508	$ 11,766

The increase in net contract asset at December 31, 2021 from September 30, 2021 was primarily due to the timing of contract billing milestones and new orders as well as cash used on our large industrial project awarded in Fiscal 2020. To determine the amount of revenue recognized during the period from contract liabilities, we first allocate revenue to the individual contract liability balance outstanding at the beginning of the period until the revenue exceeds that balance. During the three months ended December 31, 2021, we recognized revenue of approximately $23.3 million that was related to contract liabilities outstanding at September 30, 2021.

The timing of our invoice process is typically dependent on the completion of certain milestones and contract terms and subject to agreement by our customer. Payment is typically expected within 30 days of invoice. Any uncollected invoiced amounts for our performance obligations recognized over time, including contract retentions, are recorded as accounts receivable in the Condensed Consolidated Balance Sheets. Certain contracts allow customers to withhold a small percentage of billings pursuant to retainage provisions, and such amounts are generally due upon completion of the contract and acceptance of the project by the customer. Based on our experience in recent years, the majority of these retainage balances are expected to be collected within approximately twelve months. As of December 31, 2021 and September 30, 2021, accounts receivable included retention amounts of $9.3 million and $9.6 million, respectively. Of the retained amount at December 31, 2021, $6.8 million is expected to be collected in the next twelve months and is recorded in accounts receivable. The remaining $2.5 million is recorded in other assets.

Disaggregation of Revenue

The following tables present our disaggregated revenue by geographic destination and market sector for the three months ended December 31, 2021 and 2020 (in thousands):

	Three months ended December 31,	
	2021	2020
United States	$ 82,145	$ 80,586
Canada	15,125	14,091
Europe, Middle East and Africa	7,830	8,256
Asia/Pacific	944	2,716
Mexico, Central and South America	525	926
Total revenues by geographic destination	$ 106,569	$ 106,575

	Three months ended December 31,	
	2021	2020
Oil and gas (excludes petrochemical)	$ 43,021	$ 40,028
Petrochemical	17,228	9,165
Electric utility	21,533	28,171
Traction power	11,372	13,361
All others	13,415	15,850
Total revenues by market sector	$ 106,569	$ 106,575

E. Long-Term Debt

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

	December 31, 2021	September 30, 2021
Industrial development revenue bonds	$ —	$ 400
Less: current portion	—	(400)
Total long-term debt	$ —	$ —

U.S. Revolver

We have a credit agreement with Bank of America, N.A. (as amended, the "U.S. Revolver"), which is a $75.0 million revolving credit facility that is available for both borrowings and letters of credit and expires September 27, 2024. The U.S. Revolver states that up to $30 million may be deducted from the amount of letters of credit outstanding (not to be less than zero) when calculating the consolidated funded indebtedness which is a component of the consolidated net leverage ratio. Additionally, we have the option to cash collateralize all or a portion of the letters of credit outstanding, which would favorably impact the consolidated funded indebtedness calculation and the consolidated net leverage ratio. As of December 31, 2021, there were no amounts borrowed under the U.S. Revolver and letters of credit outstanding were $31.2 million. There was $43.8 million available for the issuance of letters of credit and borrowings under the U.S. Revolver as of December 31, 2021.

We are required to maintain certain financial covenants, the most significant of which are a consolidated net leverage ratio less than 3.0 to 1.0 and a consolidated interest coverage ratio of greater than 3.0 to 1.0. Our most restrictive covenant, the consolidated net leverage ratio, is the ratio of earnings before interest, taxes, depreciation, amortization and stock-based compensation (EBITDAS) to funded indebtedness. An increase in indebtedness, which includes letters of credit, or a decrease in EBITDAS could restrict our ability to issue letters of credit or borrow under the U.S. Revolver. Additionally, we must maintain a consolidated cash balance of $30 million at all times, which can be deducted from the letters of credit outstanding as noted above. The U.S. Revolver also contains a "material adverse effect" clause which is a material change in our operations, business, properties, liabilities or condition (financial or otherwise) or a material impairment of our ability to perform our obligations under our credit agreements. As of December 31, 2021, we were in compliance with all of the financial covenants of the U.S. Revolver.

The U.S. Revolver allows the Company to elect that any borrowing under the facility bears an interest rate based on either the base rate or the eurocurrency rate, in each case, plus the applicable rate. The base rate is generally the highest of (a) the federal funds rate plus 0.50%, (b) the Bank of America prime rate or (c) the London Interbank Offered Rate (LIBOR) successor rate plus 1.00%. The applicable rate is generally a range from (0.25)% to 1.75% depending on the type of loan and the Company's consolidated net leverage ratio. On December 31, 2021, the Company entered into a LIBOR Transition Amendment with Bank of America that states that LIBOR will be replaced with a successor rate in accordance with the U.S. Revolver.

The U.S. Revolver is collateralized by a pledge of 100% of the voting capital stock of each of our domestic subsidiaries and 65% of the voting capital stock of each non-domestic subsidiary. The U.S. Revolver provides for customary events of default and carries cross-default provisions with other existing debt agreements. If an event of default (as defined in the U.S. Revolver) occurs and is continuing, on the terms and subject to the conditions set forth in the U.S. Revolver, amounts and letters of credit outstanding under the U.S. Revolver may be accelerated and may become immediately due and payable.

Industrial Development Revenue Bonds

We borrowed $8.0 million in October 2001 through a loan agreement funded with proceeds from tax-exempt industrial development revenue bonds (Bonds) for the completion of our Northlake, Illinois facility. The Bonds matured on October 1, 2021 and our final payment of $0.4 million was made.

F. Commitments and Contingencies

Letters of Credit, Bank Guarantees and Bonds

Certain customers require us to post letters of credit, bank guarantees or surety bonds. These security instruments assure that we will perform under the terms of our contract. In the event of default, the counterparty may demand payment from the bank under a letter of credit or bank guarantee, or performance by the surety under a bond. To date, there have been no significant draws or claims related to security instruments for the periods reported. We were contingently liable for letters of credit of $31.2 million as of December 31, 2021. We also had surety bonds totaling $144.4 million that were outstanding, with additional bonding capacity of $455.6 million available, at December 31, 2021. At present, we have strong surety relationships; however, a change in market conditions or the sureties' assessment of our financial position could cause the sureties to require cash collateralization for undischarged liabilities under the bonds.

We have a $9.5 million facility agreement (Facility Agreement) between Powell (UK) Limited and a large international bank that provides Powell (UK) Limited the ability to enter into bank guarantees as well as forward exchange contracts and currency options. At December 31, 2021, we had outstanding guarantees totaling $3.3 million and amounts available under this Facility Agreement were $6.2 million. The Facility Agreement provides for customary events of default, and carries cross-default provisions with our U.S. Revolver. If an event of default (as defined in the Facility Agreement) occurs and is continuing, per the terms and subject to the conditions set forth therein, obligations outstanding under the Facility Agreement may be accelerated and declared immediately due and payable. Additionally, we are required to maintain cash collateral for guarantees greater than two years. As of December 31, 2021, we were in compliance with all of the financial covenants of the Facility Agreement. In accordance with the terms of the Facility Agreement, the total amount available was reduced from $9.5 million to $6.8 million in January 2022.

Litigation

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

G. Stock-Based Compensation

Refer to our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 for a full description of our existing stock-based compensation plans.

Restricted Stock Units

We issue restricted stock units (RSUs) to certain officers and key employees of the Company. The fair value of the RSUs is based on the price of our common stock as reported on the NASDAQ Global Market on the grant dates. Typically, these grants vest over a three-year period from the date of issuance and are a blend of time-based and performance-based shares. The portion of the grant that is time-based typically vests over a three-year period on each anniversary of the grant date, based on continued employment. The performance-based shares vest based on the three-year earnings performance of the Company following the grant date. At December 31, 2021, there were 235,502 RSUs outstanding. The RSUs do not have voting rights but do receive dividend equivalents upon vesting which are accrued quarterly. Additionally, the shares of common stock underlying the RSUs are not considered issued and outstanding until vested and common stock is issued.

Total RSU activity (number of shares) for the three months ended December 31, 2021 is summarized below:

	Number of Restricted Stock Units	Weighted Average Grant Value Per Share
Outstanding at September 30, 2021	199,919	$ 30.34
Granted	107,350	24.79
Vested	(71,767)	32.66
Forfeited/canceled	—	—
Outstanding at December 31, 2021	235,502	$ 26.94

During the three months ended December 31, 2021 and 2020, we recorded compensation expense of $0.9 million and $0.8 million, respectively, related to the RSUs.

Restricted Stock

Each non-employee director receives 2,400 restricted shares of the Company’s common stock annually. Fifty-percent of the restricted stock granted to each of our non-employee directors vests immediately, while the remaining fifty-percent vests on the anniversary of the grant date. Compensation expense is recognized immediately for the first fifty-percent of the restricted stock granted, while compensation expense for the remaining fifty-percent is recognized over the remaining vesting period. During the three months ended December 31, 2021 and 2020, there were no restricted shares granted. During both the three months ended December 31, 2021 and 2020, we recorded compensation expense of $0.1 million related to restricted stock.

H. Fair Value Measurements

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

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

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

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

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

The following table summarizes the fair value of our assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2021 (in thousands):

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2021
Assets:				
Cash and cash equivalents	$ 77,905	$ —	$ —	$ 77,905
Short-term investments	23,622	—	—	23,622
Other assets	—	9,452	—	9,452
Liabilities:				
Deferred compensation	—	9,675	—	9,675

The following table summarizes the fair value of our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2021 (in thousands):

	Fair Value Measurements at September 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at September 30, 2021
Assets:				
Cash and cash equivalents	$ 114,314	$ —	$ —	$ 114,314
Short-term investments	19,667	—	—	19,667
Other assets	—	9,100	—	9,100
Liabilities:				
Deferred compensation	—	8,527	—	8,527

Fair value guidance requires certain fair value disclosures be presented in both interim and annual reports. The estimated fair value amounts of financial instruments have been determined using available market information and valuation methodologies described below.

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

Short-term Investments – Short-term investments include time deposits with original maturities of three months or more.

Other Assets and Deferred Compensation – We hold investments in an irrevocable Rabbi Trust for our deferred compensation plan. The assets are primarily related to company-owned life insurance policies and are included in other assets in the accompanying Condensed Consolidated Balance Sheets. Because the mutual funds and company-owned life insurance policies are combined in the plan, they are categorized as Level 2 in the fair value measurement hierarchy. The deferred compensation liability represents the investment options that the plan participants have designated to serve as the basis for measurement of the notional value of their accounts. Because the deferred compensation liability is intended to offset the plan assets, it is also categorized as Level 2 in the fair value measurement hierarchy.

There were no transfers between levels within the fair value measurement hierarchy during the quarter ended December 31, 2021.

I. Leases

Our leases consist primarily of office and manufacturing space and construction equipment. All of our future lease obligations are related to non-cancelable operating leases. The most significant portion of our lease portfolio relates to leases of office and manufacturing facilities in Canada which we no longer occupy. We currently sublease the majority of these Canadian facilities. The following table provides a summary of lease cost components for the three months ended December 31, 2021 and 2020, respectively (in thousands):

	Three months ended December 31,	
Lease Cost	**2021**	**2020**
Operating lease cost	$ 571	$ 608
Less: sublease income	(174)	(180)
Variable lease cost[1]	141	108
Short-term lease cost[2]	273	169
Total lease cost	$ 811	$ 705

[1] Variable lease cost represents common area maintenance charges related to our Canadian office space lease.
[2] Short-term lease cost includes leases and rentals with initial terms of one year or less.

We recognize operating lease assets and operating lease liabilities representing the present value of the remaining lease payments for leases with initial terms greater than twelve months. Leases with initial terms of twelve months or less are not recorded in our Condensed Consolidated Balance Sheets. As of December 31, 2021 and September 30, 2021, our operating lease assets have been reduced by a lease accrual of $0.3 million and $0.4 million, respectively, related to certain unused facility leases in Canada. The following table provides a summary of the operating lease assets and operating lease liabilities included in our Condensed Consolidated Balance Sheets as of December 31, 2021 and September 30, 2021, respectively (in thousands):

Operating Leases	**December 31, 2021**	**September 30, 2021**
Assets:		
Operating lease assets, net	$ 3,526	$ 3,453
Liabilities:		
Current operating lease liabilities	1,966	1,415
Long-term operating lease liabilities	1,866	2,413
Total lease liabilities	$ 3,832	$ 3,828

The following table provides the maturities of our operating lease liabilities as of December 31, 2021 (in thousands):

	Operating Leases
Remainder of 2022	$ 1,822
2023	1,536
2024	361
2025	204
2026	51
Thereafter	—
Total future minimum lease payments	$ 3,974
Less: present value discount (imputed interest)	(142)
Present value of lease liabilities	$ 3,832

The weighted average discount rate as of December 31, 2021 was 3.87%. The weighted average remaining lease term was 2.0 years at December 31, 2021.

J. Income Taxes

The calculation of the effective tax rate is as follows (in thousands):

	Three months ended December 31,	
	2021	2020
Loss before income taxes	$ (4,287)	$ (259)
Income tax provision (benefit)	(1,441)	105
Net loss	$ (2,846)	$ (364)
Effective tax rate	34 %	(41)%

Our income tax benefit reflects an effective tax rate on pre-tax loss of 34% for the first quarter of Fiscal 2022 compared to an income tax provision that reflects a negative 41% in the first quarter of Fiscal 2021. For the three months ended December 31, 2021, the estimated Research and Development Tax Credit (R&D Tax Credit) favorably impacted the effective tax rate. The effective tax rate for the first quarter of Fiscal 2022 and Fiscal 2021 were negatively impacted by the losses recognized in various foreign jurisdictions that were reserved with a valuation allowance as well as discrete items in the amount of $0.1 million primarily related to the vesting of restricted stock units. These unfavorable items offset the benefits related to the estimated R&D Tax Credit and the projected utilization of net operating loss carryforwards in Canada that were fully reserved with a valuation allowance for the three months ended December 31, 2020.

K. Subsequent Events

Quarterly Dividend Declared

On February 1, 2022, our Board of Directors declared a quarterly cash dividend on our common stock in the amount of $0.26 per share. The dividend is payable on March 16, 2022 to shareholders of record at the close of business on February 16, 2022.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

From time to time, our management or persons acting on our behalf may make forward-looking statements to inform existing and potential shareholders about our Company. These statements may include projections and estimates concerning the timing and success of specific projects and our future backlog, revenues, income, acquisitions and capital spending. Forward-looking statements include information concerning future results of operations and financial condition. Statements that contain words such as “believes,” “expects,” “anticipates,” “intends,” “estimates,” “continue,” “should,” “could,” “may,” “plan,” “project,” “predict,” “will” or similar expressions may be forward-looking statements. In addition, sometimes we will specifically describe a statement as being a forward-looking statement and refer to this cautionary statement.

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

Risk Factors Related to our Business and Industry

- Our business is subject to the cyclical nature of the end markets that we serve. This has had, and may continue to have, an adverse effect on our future operating results.
- Our industry is highly competitive.
- Technological innovations may make existing products and production methods obsolete.
- Unforeseen difficulties with expansions, relocations or consolidations of existing facilities could adversely affect our operations.
- Quality problems with our products could harm our reputation and erode our competitive position.
- Growth and product diversification through strategic acquisitions involves a number of risks.
- Our business requires skilled and unskilled labor, and we may be unable to attract and retain qualified employees.
- We are exposed to risks relating to the use of subcontractors on some of our projects.
- Misconduct by our employees or subcontractors, or a failure to comply with laws or regulations, could harm our reputation, damage our relationships with customers and subject us to criminal and civil enforcement actions.
- Unsatisfactory safety performance may subject us to penalties, negatively impact customer relationships, result in higher operating costs, and negatively impact employee morale and turnover.
- Catastrophic events, including natural disasters, health epidemics (including the COVID-19 pandemic), acts of war and terrorism, among others, could disrupt our business.

Risk Factors Related to our Financial Condition and Markets

- Economic uncertainty and financial market conditions may impact our customer base, suppliers and backlog.
- Our backlog is subject to unexpected adjustments, cancellations and scope reductions and, therefore, may not be a reliable indicator of our future earnings.
- Revenues recognized over time from our fixed-price contracts could result in volatility in our results of operations.
- Many of our contracts contain performance obligations that may subject us to penalties or additional liabilities.
- Fluctuations in the price and supply of materials used to manufacture our products may reduce our profits and could adversely impact our ability to meet commitments to our customers.
- Obtaining surety bonds, letters of credit, bank guarantees, or other financial assurances, may be necessary for us to successfully bid on and obtain certain contracts.

- Failure to remain in compliance with covenants or obtain waivers or amendments under our credit agreement could adversely impact our business.
- We extend credit to customers in conjunction with our performance under fixed-price contracts which subjects us to potential credit risks.
- A significant portion of our revenues may be concentrated among a small number of customers.
- We carry insurance against many potential liabilities, but our management of risk may leave us exposed to unidentified or unanticipated risks.
- Our international operations expose us to risks that are different from, or possibly greater than, the risks we are exposed to domestically and may adversely affect our operations.
- Failures or weaknesses in our internal controls over financial reporting could adversely affect our ability to report on our financial condition and results of operations accurately and/or on a timely basis.
- A failure in our business systems or cyber security attacks on any of our facilities, or those of third parties, could adversely affect our business and our internal controls.

Risk Factors Related to our Common Stock

- Our stock price could decline or fluctuate significantly due to unforeseen circumstances. These fluctuations may cause our stockholders to incur losses.
- There can be no assurance that we will declare or pay future dividends on our common stock.

Risk Factors Related to Legal and Regulatory Matters

- Our operations could be adversely impacted by the effects of government regulations.
- Changes in and compliance with environmental laws and regulations, including those regarding climate change, could adversely impact our financial results.
- Provisions of our charter documents or Delaware law could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our stockholders, and could make it more difficult to change management.
- Significant developments arising from tariffs and other economic proposals could adversely impact our business.

General Risk Factors

- Actual and potential claims, lawsuits and proceedings could ultimately reduce our profitability and liquidity and weaken our financial condition.
- Changes in tax laws and regulations may change our effective tax rate and could have a material effect on our financial results.
- The departure of key personnel could disrupt our business.

We believe the items we have outlined above are important factors that could cause estimates included in our financial statements and those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf to differ materially from actual results and those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf. We have discussed these factors in more detail in our Annual Report on Form 10-K for the year ended September 30, 2021. These factors are not necessarily all of the factors that could affect us. Unpredictable or unanticipated factors we have not discussed in this report could also have material adverse effects on actual results. We do not intend to update our description of important factors each time a potential important factor arises, except as required by applicable securities laws and regulations. We advise our shareholders that they should (1) be aware that factors not referred to above could affect the accuracy of our forward-looking statements and (2) use caution when considering our forward-looking statements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended September 30, 2021, which was filed with the Securities and Exchange Commission (SEC) on December 8, 2021 and is available on the SEC's website at www.sec.gov.

Overview

We develop, design, manufacture and service custom-engineered equipment and systems which (1) distribute, control and monitor the flow of electrical energy and (2) provide protection to motors, transformers and other electrically powered equipment. We are headquartered in Houston, Texas, and serve the oil and gas and petrochemical markets, which include onshore and offshore production, liquefied natural gas (LNG) facilities and terminals, pipelines, refineries and petrochemical plants. Additional markets include electric utility and light rail traction power as well as mining and metals, pulp and paper and other municipal, commercial and industrial markets. Revenues and costs are primarily related to custom engineered-to-order equipment and systems and are accounted for under percentage-of-completion accounting, which precludes us from providing detailed price and volume information. Our backlog includes various projects that typically take a number of months to produce.

The markets in which we participate are capital-intensive and cyclical in nature. Cyclicality is predominantly driven by customer demand, global economic conditions and anticipated environmental, safety or regulatory changes which affect the manner in which our customers proceed with capital investments. Our customers analyze various factors, including the demand and price for oil, gas and electrical energy, the overall economic and financial environment, governmental budgets, regulatory actions and environmental concerns. These factors influence the release of new capital projects by our customers, which are traditionally awarded in competitive bid situations. Scheduling of projects is matched to customer requirements, and projects typically take a number of months to produce. Schedules may change during the course of any particular project, and our operating results can, therefore, be impacted by factors outside of our control.

Within the industrial sector, specifically oil, gas and petrochemical, the demand for our electrical distribution solutions is very cyclical and closely correlated to the level of capital expenditures of our end-user customers as well as prevailing global economic conditions.

Historically, the combination of a growing global economy, abundant sources of favorably priced natural gas feedstock, and an energy industry focus on transition to natural gas and cleaner-burning fuels drove an increase in capital investment opportunities, specifically across the oil, gas and petrochemical sectors. Some of these opportunities were for natural gas related projects targeting global demand for cleaner-burning fuels. Additionally, projects within the domestic petrochemical sector benefited from the low feedstock prices of natural gas. Specific to natural gas, the business was awarded a substantial contract in the second quarter of Fiscal 2020 that will support the integrated electrical distribution requirements for a large domestic industrial complex and should be substantially completed in Fiscal 2022. We began to experience reduced commercial activity in Fiscal 2020 driven in large part by the uncertainties across our industrial end markets in the U.S. resulting from the COVID-19 pandemic. Considering the long cycle nature of our business, these cyclical conditions may persist throughout Fiscal 2022.

Impact of the COVID-19 Pandemic and Oil and Gas Commodity Market Volatility on Powell

The COVID-19 pandemic continues to impact global energy markets. This pandemic has negatively impacted demand, which in turn has resulted in considerable volatility across global oil and gas commodity markets. Throughout the pandemic, the demand for our products and services as well as our operations have been negatively impacted, resulting from the associated reduction in oil and gas demand and volatility in commodity prices noted above. As a result, some of our industrial customers are deferring or suspending their planned capital expenditures. Certain of our customers have asked that we delay or cancel our manufacturing on their projects as their operations have been negatively impacted by this pandemic and the reduced oil and gas demand, which has resulted in recognition of cancellation fees based on contract terms and the extent of our progress on the projects. We continue to work with our key suppliers who have been impacted by this pandemic to ensure that we are able to meet our customer commitments.

In response to the lower demand across select end markets, we have taken and will continue to take various actions to reduce costs. During Fiscal 2020, we reduced our global workforce and our capital and discretionary spending in response to business conditions. We continued to operate at these lower thresholds throughout Fiscal 2021 and the first quarter of Fiscal 2022 and will continue to consistently monitor the macro-economic conditions throughout the remainder of Fiscal 2022.

As discussed further under the heading "Outlook" below, it is difficult to predict the economic impact that this pandemic, as well as reduced oil and gas demand and commodity price volatility, may have on our business, results of operations and cash flows going forward.

Results of Operations

Quarter Ended December 31, 2021 Compared to the Quarter Ended December 31, 2020 (Unaudited)

Revenue and Gross Profit

Revenues remained flat at $106.6 million in the first quarter of Fiscal 2022. Revenues continue to be negatively impacted due to project delays and cancellations of potential projects associated with the global economic impact resulting from the COVID-19 pandemic and associated reduction in demand across our industrial end markets. Domestic revenues increased by 2%, or $1.6 million, to $82.1 million in the first quarter of Fiscal 2022. Included in our domestic revenues in the oil and gas markets is our large domestic industrial project awarded in Fiscal 2020, which accounted for approximately 19% of our consolidated revenues for the first quarter of Fiscal 2022 compared to 13% in the same period of the prior year. International revenues decreased by 6.0%, or $1.6 million, to $24.4 million in the first quarter of Fiscal 2022. Our international revenues include both revenues generated from our international facilities as well as revenues from export projects generated at our domestic facilities.

Revenue from our core oil and gas markets (excluding petrochemical) increased by 7%, or $3.0 million, to $43.0 million in the first quarter of Fiscal 2022, while petrochemical revenue increased by 88%, or $8.1 million, to $17.2 million in the first quarter of Fiscal 2022, primarily due to project mix. Revenue from our utility markets decreased by 24%, or $6.6 million, to $21.5 million, and traction market revenue decreased by 15%, or $2.0 million, to $11.4 million in the first quarter of Fiscal 2022. Revenue from all other markets combined decreased by $2.4 million to $13.4 million in the first quarter of Fiscal 2022.

Gross profit decreased by 26%, or $4.8 million, to $13.4 million for the first quarter of Fiscal 2022. Gross profit as a percentage of revenues decreased to 13% in the first quarter of Fiscal 2022, compared to 17% in the first quarter of Fiscal 2021. The decline in gross profit was driven predominately by higher global commodity costs, and to a lesser extent, a lower volume of favorable project close-outs in the first quarter of Fiscal 2022. Gross profit may continue to be negatively impacted by higher commodity costs to the extent we are not able to pass these increases to our customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 6%, or $1.0 million, to $15.9 million in the first quarter of Fiscal 2022, primarily due to decreased variable incentive compensation. Selling, general and administrative expenses as a percentage of revenues decreased to 15% during the first quarter of Fiscal 2022 compared to 16% during the first quarter of Fiscal 2021.

Income Tax Benefit/Provision

We recorded an income tax benefit of $1.4 million in the first quarter of Fiscal 2022, compared to an income tax provision of $0.1 million in the first quarter of Fiscal 2021. The effective tax rate for the first quarter of Fiscal 2022 was 34%, compared to an effective tax rate of negative 41% in the first quarter of Fiscal 2021. For the three months ended December 31, 2021, the effective tax rate was favorably impacted by the estimated Research and Development Tax Credit (R&D Tax Credit), while losses recognized in various foreign jurisdictions that were reserved with a valuation allowance and discrete items primarily related to the vesting of restricted stock units negatively impacted the effective tax rate for each of the three months ended December 31, 2021 and December 31, 2020. These unfavorable items offset the benefits related to the estimated R&D Tax Credit and the projected utilization of net operating loss carryforwards in Canada that were fully reserved with a valuation allowance in the first quarter of Fiscal 2021.

Net Loss

In the first quarter of Fiscal 2022, we recorded a net loss of $2.8 million, or $0.24 per diluted share, compared to a net loss of $0.4 million, or $0.03 per diluted share, in the first quarter of Fiscal 2021. This increase in net loss is due to a decline in gross profit as discussed above.

Backlog

The order backlog at December 31, 2021 was $416.0 million, a slight increase from $414.9 million at September 30, 2021 and a decrease of 11% from $464.9 million at December 31, 2020. Bookings, net of cancellations and scope reductions, increased by 18% in the first quarter of Fiscal 2022 to $107.7 million, compared to $91.1 million in the first quarter of Fiscal 2021.

Outlook

As noted in "Overview" above, the markets in which we participate are capital-intensive and cyclical in nature. A significant portion of our revenues has historically been from the oil, gas and petrochemical markets. Oil and gas commodity price levels have been unstable over the last several years, and our customers have in certain cases delayed or cancelled some of their major capital investment projects. Recently we have seen increased global demand for cleaner-burning fuels; however, the uncertainty in oil prices and the global economic impacts from COVID-19 have had, and may continue to have, a negative impact on our business going forward, as discussed in more detail below. Specific to the energy industry focus on transitioning to natural gas and cleaner-burning fuels, the business was awarded a substantial contract in Fiscal 2020 that will support the integrated electrical distribution requirements for a large domestic industrial complex and should be substantially completed in Fiscal 2022.

Our operating results are impacted by factors such as the timing of new order awards, customer approval of final engineering and design specifications and delays in customer construction schedules, all of which contribute to short-term earnings variability and the timing of project execution. Our operating results also have been, and may continue to be, impacted by the timing and resolution of change orders, project close-out and resolution of potential contract claims and liquidated damages, all of which could improve or deteriorate gross margins during the period in which these items are resolved with our customers. These factors may result in periods of underutilization of our resources and facilities, which may negatively impact our ability to cover our fixed costs. We experienced lower commercial activity in Fiscal 2020 and Fiscal 2021 driven in large part from the uncertainty resulting from the COVID-19 pandemic, as discussed in "Overview" above. Considering the long cycle nature of our business, we anticipate these cyclical conditions may persist throughout Fiscal 2022. We will continue to remain focused on the variables that impact our markets as well as our internal cost management and supply chain challenges. We will also continue to adjust to the global conditions in order to maintain competitive cost and technological advantages in the markets that we serve.

The consequences of a prolonged economic decline could include, but are not limited to, a continued reduction in commercial and industrial activity. The Company cannot reasonably estimate the duration or severity of this pandemic, or the extent to which the resulting disruptions may materially impact our business, results of operations or cash flows. We will take prudent measures to maintain our strong liquidity and cash position, which may include reducing our capital expenditures and research and development costs, as well as reducing or eliminating future dividend payments.

Liquidity and Capital Resources

As of December 31, 2021, current assets exceeded current liabilities by 2.6 times.

Cash, cash equivalents and short-term investments decreased to $101.5 million at December 31, 2021, compared to $134.0 million at September 30, 2021. This decrease in cash was primarily driven by the timing of contract billing milestones related to our large industrial project awarded in Fiscal 2020. We believe that our strong working capital position, available borrowings under our credit facility and available cash should be sufficient to finance future operating activities, capital improvements, research and development initiatives and debt repayments for the foreseeable future.

We have a credit agreement with Bank of America, N.A. (as amended, the "U.S. Revolver") which is a $75.0 million revolving credit facility available for both borrowings and letters of credit and expires September 27, 2024. The U.S. Revolver states that up to $30 million may be deducted from the amount of letters of credit outstanding (not to be less than zero) when calculating the consolidated funded indebtedness which is a component of the consolidated net leverage ratio. Additionally, we have the option to cash collateralize all or a portion of the letters of credit outstanding, which would favorably impact the consolidated funded indebtedness calculation and the consolidated net leverage ratio.

On October 1, 2021, our industrial development revenue bonds matured and as a result we had no long-term debt at December 31, 2021. As of December 31, 2021, there were no amounts borrowed under the U.S. Revolver, and letters of credit outstanding were $31.2 million. As of December 31, 2021, $43.8 million was available for the issuance of letters of credit and borrowing under the U.S. Revolver. We are required to maintain certain financial covenants, the most significant of which are a consolidated net leverage ratio of less than 3.0 to 1.0 and a consolidated interest coverage ratio of greater than 3.0 to 1.0. Our most restrictive covenant, the consolidated net leverage ratio, is the ratio of earnings before interest, taxes, depreciation, amortization and stock-based compensation (EBITDAS) to funded indebtedness, which includes letters of credit. An increase in indebtedness or a decrease in EBITDAS could restrict our ability to issue letters of credit or borrow under the U.S. Revolver. For further information regarding our debt, see Notes E and F of Notes to Condensed Consolidated Financial Statements.

Approximately $28.6 million of our cash, cash equivalents and short-term investments at December 31, 2021 was held outside of the U.S. for our international operations. It is our intention to indefinitely reinvest all current and future foreign earnings internationally in order to ensure sufficient working capital to support our international operations. In the event that we elect to repatriate some or all of the foreign earnings that were previously deemed to be indefinitely reinvested outside the U.S., we may incur additional tax expense upon such repatriation under current tax laws.

Operating Activities

Operating activities used net cash of $27.8 million during the three months ended December 31, 2021 and $25.2 million during the same period in Fiscal 2021. Cash flow from operations is primarily influenced by the timing of milestone payments from our customers, project volume and the payment terms with our suppliers. This decrease in operating cash flow was primarily due to the timing of contract billing milestones and an increase in inventory.

Investing Activities

Investing activities used $4.4 million during the three months ended December 31, 2021 compared to $3.0 million provided during the same period in Fiscal 2021. The decrease in cash provided by investing activities in the first three months of Fiscal 2022 was primarily due to short-term investment activity.

Financing Activities

Net cash used in financing activities was $4.1 million during each of the three months ended December 31, 2021 and 2020, which primarily consisted of approximately $3.0 million of dividends paid in each period.

Critical Accounting Policies and Estimates

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

There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, which was filed with the SEC on December 8, 2021.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

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

Market Risk

We are exposed to general market risk and its potential impact on accounts receivable or costs and estimated earnings in excess of billings on uncompleted contracts. The amounts recorded may be at risk if our customers' ability to pay these obligations is negatively impacted by economic conditions. Our customers are typically in the oil and gas and petrochemical markets, which include onshore and offshore production, LNG facilities and terminals, pipelines, refineries and petrochemical plants. Additional markets include electric utility and light rail traction power as well as mining and metals, pulp and paper and other municipal, commercial and industrial markets. Occasionally, our customers may include an engineering, procurement and construction (EPC) firm which may increase our market risk exposure based on the business climate of the EPC firm. We maintain ongoing discussions with customers regarding contract status with respect to payment status, change orders and billing terms in an effort to monitor collections of amounts billed.

Commodity Price Risk

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

Foreign Currency Transaction Risk

We have foreign operations that expose us to foreign currency exchange rate risk in the British Pound Sterling, the Canadian Dollar and to a lesser extent the Mexican Peso and the Euro, among others. Amounts invested in our foreign operations are translated into U.S. Dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as accumulated other comprehensive loss, a component of stockholders' equity in our Condensed Consolidated Balance Sheets. We believe the exposure to the effects that fluctuating foreign currencies have on our consolidated results of operations is limited because the foreign operations primarily invoice customers and collect payments in their respective local currencies or U.S. Dollars. Additionally, expenses associated with these transactions are generally contracted and paid for in the same local currencies. For the three months ended December 31, 2021, our realized foreign exchange loss was less than $0.1 million and is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

Our accumulated other comprehensive loss, which is included as a component of stockholders' equity, was $20.3 million as of December 31, 2021, a decrease of $0.1 million compared to September 30, 2021. This decrease in comprehensive loss was primarily a result of fluctuations in the currency exchange rates for the Canadian Dollar and British Pound Sterling as we remeasured the foreign operations of those divisions.

We do not typically hedge our exposure to potential foreign currency translation adjustments.

Interest Rate Risk

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

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

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

Item 1A. *Risk Factors*

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021, which was filed with the SEC on December 8, 2021.

Item 6. *Exhibits*

Number		Description of Exhibits
3.1	—	Certificate of Incorporation of Powell Industries, Inc. filed with the Secretary of State of the State of Delaware on February 11, 2004 (filed as Exhibit 3.1 to our Form 8-A/A filed November 1, 2004, and incorporated herein by reference).
3.2	—	Amended and Restated Bylaws of Powell Industries, Inc. (filed as Exhibit 3.1 to our Form 8-K filed October 12, 2012, and incorporated herein by reference).
3.3	—	Amendment No. 1 to Amended and Restated Bylaws of Powell Industries, Inc. (filed as Exhibit 3.1 to our Form 8-K filed February 26, 2021, and incorporated herein by reference).
*10.1		LIBOR Transition Amendment, dated December 31, 2021, by and between the Company, as Borrower, certain subsidiaries of the Company identified therein, as Guarantors, the Lenders party thereto and Bank of America, N.A., as Administrative Agent.
*31.1	—	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	—	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
**32.1	—	Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	—	Certification of Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101	—	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets (Unaudited); (ii) Condensed Consolidated Statements of Operations (Unaudited); (iii) Condensed Consolidated Statements of Comprehensive Income (Unaudited); (iv) Condensed Consolidated Statements of Stockholders' Equity (Unaudited); (v) Condensed Consolidated Statements of Cash Flows (Unaudited); and (vi) Notes to Condensed Consolidated Financial Statements (Unaudited), tagged as blocks of text and including detailed tags.
*104	—	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2021, formatted in Inline XBRL (included as Exhibit 101).

* Filed herewith
** Furnished herewith

SIGNATURES

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

POWELL INDUSTRIES, INC.
(Registrant)

Date: February 9, 2022	By:	/s/ Brett A. Cope
		Brett A. Cope President and Chief Executive Officer (Principal Executive Officer)
Date: February 9, 2022	By:	/s/ Michael W. Metcalf
		Michael W. Metcalf Executive Vice President Chief Financial Officer (Principal Financial Officer)

LIBOR TRANSITION AMENDMENT

THIS LIBOR TRANSITION AMENDMENT (this "Amendment"), dated as of December, 31, 2021 (the "Amendment Effective Date"), is entered into among POWELL INDUSTRIES, INC., a Delaware corporation (the "Borrower"), the Guarantors (as defined below) party hereto, the Lenders (as defined below) party hereto and BANK OF AMERICA, N.A., as administrative agent (the "Administrative Agent").

RECITALS

WHEREAS, the Borrower, the Guarantors party thereto (the "Guarantors"), the lenders from time to time party thereto (the "Lenders"), and Bank of America, N.A., as Administrative Agent, have entered into that certain Amended and Restated Credit Agreement dated as of September 27, 2019 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Agreement");

WHEREAS, certain loans and/or other extensions of credit (the "Loans") under the Agreement denominated in British Pounds Sterling ("Sterling") and Euros (collectively, the "Impacted Currency(ies)") incur or are permitted to incur interest, fees, commissions or other amounts based on the London Interbank Offered Rate as administered by the ICE Benchmark Administration ("LIBOR") in accordance with the terms of the Agreement; and

WHEREAS, applicable parties under the Agreement have determined in accordance with the Agreement that LIBOR for the Impacted Currency(ies) should be replaced with a successor rate in accordance with the Agreement and, in connection therewith, the Administrative Agent has determined that certain conforming changes are necessary or advisable.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein but not otherwise defined herein (including on any Appendix attached hereto) shall have the meanings provided to such terms in the Agreement, as amended by this Amendment.

2. Agreement. Notwithstanding any provision of the Agreement or any other document related thereto (the "Loan Documents") to the contrary, the parties hereto hereby agree that the terms set forth on Appendix A shall apply to the Impacted Currency(ies). For the avoidance of doubt, to the extent provisions in the Agreement apply to the Impacted Currency(ies) and such provisions are not specifically addressed by Appendix A, the provisions in the Agreement shall continue to apply to the Impacted Currency(ies).

3. Conflict with Loan Documents. In the event of any conflict between the terms of this Amendment and the terms of the Agreement or the other Loan Documents, the terms hereof shall control.

4. Conditions Precedent. This Amendment shall become effective upon receipt by the Administrative Agent of counterparts of this Amendment, properly executed by the Borrower, each Guarantor, the Lenders and the Administrative Agent.

5. Miscellaneous.

(a) The Loan Documents, and the obligations of the Borrower and the Guarantors under the Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms. This Amendment is a Loan Document.

(b) The Borrower and each Guarantor (i) acknowledges and consents to all of the terms and conditions of this Amendment, (ii) affirms all of its obligations under the Loan Documents and (iii) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Loan Documents. To the extent the obligations of the Borrower and the Guarantors under the Agreement and the other Loan Documents (the "Obligations") are secured, the Borrower and each Guarantor (i) agrees that the security agreement and the other collateral documentation (collectively, the "Collateral Documents") continue to be in full force and effect and are not impaired or adversely affected in any manner whatsoever, (ii) confirms its grant of security interests pursuant to the Collateral Documents to which it is a party as collateral for the Obligations, and (iii) acknowledges that all liens granted (or purported to be granted) pursuant to the Collateral Documents remain and continue in full force and effect in respect of, and to secure, the Obligations.

Each Guarantor hereby reaffirms its obligations under the guaranty relating to the Agreement and agrees that its obligation to guarantee the Obligations is in full force and effect as of the date hereof.

(c) The Borrower and each Guarantor represents and warrants that:

(i) The execution, delivery and performance by it of this Amendment is within its organizational powers and has been duly authorized by all necessary organizational, partnership, member or other action, as applicable, as may be necessary or required.

(ii) This Amendment has been duly executed and delivered by it, and constitutes a valid and binding obligation of it, enforceable against it in accordance with the terms hereof, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(iii) The execution and delivery by it of this Amendment and performance by it of this Amendment have been duly authorized by all necessary corporate or other organizational action, and do not and will not (A) contravene the terms of its certificate or articles of incorporation or organization or other applicable constitutive documents, (B) conflict with or result in any breach or contravention of, or the creation of any lien under, or require any payment to be made under (x) any contractual obligation to which it is a party or affecting it or the properties of it or any subsidiary thereof or (y) any order, injunction, writ or decree of any governmental authority or any arbitral award to which it or any subsidiary thereof or its property is subject or (C) violate any law.

(iv) Before and after giving effect to this Amendment, (A) all representations and warranties of it set forth in the Loan Documents are true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality (after giving effect to such materiality qualification)) on and as of the Amendment Effective Date (except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality (after giving effect to such materiality qualification)) as of such earlier date), and (B) no default exists under the Agreement or any other Loan Document.

(d) This Amendment may be in the form of an electronic record (in ".pdf" form or otherwise) and may be executed using electronic signatures, which shall be considered as originals and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts shall be one and the same Agreement. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent of a manually signed Agreement which has been converted into electronic form (such as scanned into ".pdf" format), or an electronically signed Agreement converted into another format, for transmission, delivery and/or retention.

(e) Any provision of this Amendment held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity or enforceability of the remaining provisions hereof and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(f) The terms of the Agreement with respect to governing law, submission to jurisdiction, waiver of venue and waiver of jury trial are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

[remainder of page intentionally left blank]

Each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER: POWELL INDUSTRIES, INC.,
a Delaware corporation

By: ___________
Name: Michael Metcalf
Title: Chief Financial Officer

GUARANTORS: POWELL ELECTRICAL SYSTEMS, INC.,
a Delaware corporation

By:___________
Name: Michael Metcalf
Title: Vice President, Secretary and Treasurer

POWELL INDUSTRIES INTERNATIONAL, INC.,
a Delaware corporation

By:___________
Name: Michael Metcalf
Title: Vice President, Secretary and Treasurer

ADMINISTRATIVE AGENT: BANK OF AMERICA, N.A.,
as Administrative Agent

By:__________
Name: Katherine Osele
Title: Senior Vice President

LENDERS: BANK OF AMERICA, N.A.,
as a Lender

By:__________
Name: Katherine Osele
Title: Senior Vice President

Appendix A

TERMS APPLICABLE TO ALTERNATIVE CURRENCY LOANS

1. Defined Terms. The following terms shall have the meanings set forth below:

"Administrative Agent's Office" means, with respect to any currency, the Administrative Agent's address and, as appropriate, account specified in the Agreement with respect to such currency, or such other address or account with respect to such currency as the Administrative Agent may from time to time notify the Borrower and the Lenders.

"Alternative Currency" means each of the following currencies: Sterling and Euros.

"Alternative Currency Daily Rate" means, for any day, with respect to any extension of credit under the Agreement:

(a) denominated in Sterling, the rate per annum equal to SONIA determined pursuant to the definition thereof plus the SONIA Adjustment;

provided, that, if any Alternative Currency Daily Rate shall be less than zero, such rate shall be deemed 0% for purposes of this Amendment. Any change in an Alternative Currency Daily Rate shall be effective from and including the date of such change without further notice.

"Alternative Currency Daily Rate Loan" means a Loan that bears interest at a rate based on the definition of "Alternative Currency Daily Rate." All Alternative Currency Daily Rate Loans must be denominated in an Alternative Currency.

"Alternative Currency Loan" means an Alternative Currency Daily Rate Loan or an Alternative Currency Term Rate Loan, as applicable.

"Alternative Currency Term Rate" means, for any Interest Period, with respect to any extension of credit under the Agreement:

(a) denominated in Euros, the rate per annum equal to the Euro Interbank Offered Rate ("EURIBOR"), as published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) on the day that is two TARGET Days preceding the first day of such Interest Period with a term equivalent to such Interest Period;

provided, that, if any Alternative Currency Term Rate shall be less than zero, such rate shall be deemed 0% for purposes of this Amendment.

"Alternative Currency Term Rate Loan" means a Loan that bears interest at a rate based on the definition of "Alternative Currency Term Rate." All Alternative Currency Term Rate Loans must be denominated in an Alternative Currency.

"Applicable Authority" means, with respect to any Alternative Currency, the applicable administrator for the Relevant Rate for such Alternative Currency or any governmental authority having jurisdiction over the Administrative Agent or such administrator.

"Applicable Rate" means the Applicable Rate, Applicable Margin, Margin or any similar or analogous definition in the Agreement. If there is no such definition in the Agreement because the margin is a specified amount, the "Applicable Rate" shall be the amount specified as the margin in the Agreement.

"Base Rate" means the Base Rate, Alternative Base Rate, ABR, Prime Rate or any similar or analogous definition in the Agreement. If there is no such definition in the Agreement, "Base Rate" shall mean, for any day a fluctuating rate of interest per annum equal to the higher of (a) the Federal Funds Rate *plus* 0.50% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate"; provided that if the Base Rate shall be less than zero, such rate shall be deemed 0% for purposes of this Amendment. The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loans" means a Loan that bears interest at a rate based on the Base Rate.

"Borrowing" means a Committed Borrowing, Borrowing, or any similar or analogous definition in the Agreement. If there is no such definition in the Agreement, "Borrowing" shall mean a borrowing consisting of simultaneous Loans of the same Type and, in the case of Alternative Currency Term Rate Loans, having the same Interest Period made by each of the applicable Lenders pursuant to Section 2(e)(i) of this Appendix A.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, the state where the Administrative Agent's Office is located; provided that

(a) if such day relates to any interest rate settings as to an Alternative Currency Loan denominated in Euro, any fundings, disbursements, settlements and payments in Euro in respect of any such Alternative Currency Loan, or any other dealings in Euro to be carried out pursuant to this Amendment in respect of any such Alternative Currency Loan, means a Business Day that is also a TARGET Day;

(b) if such day relates to any interest rate settings as to an Alternative Currency Loan denominated in (i) Sterling, means a day other than a day banks are closed for general business in London because such day is a Saturday, Sunday or a legal holiday under the laws of the United Kingdom; (ii) [RESERVED]; and (iii) [RESERVED]; and

(c) if such day relates to any fundings, disbursements, settlements and payments in a currency other than Euro in respect of an Alternative Currency Loan denominated in a currency other than Euro, or any other dealings in any currency other than Euro to be carried out pursuant to this Amendment in respect of any such Alternative Currency Loan (other than any interest rate settings), means any such day on which banks are open for foreign exchange business in the principal financial center of the country of such currency.

"Committed Loan Notice" means a Committed Loan Notice, Loan Notice, Borrowing Notice, Notice of Borrowing, Continuation/Conversion Notice, Notice of Continuation/Conversion, or any similar or analogous definition in the Agreement, and such term shall be deemed to include the Committed Loan Notice attached hereto as Exhibit A. If there is no such definition in the Agreement, "Committed Loan Notice" shall mean a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Alternative Currency Term Rate Loans, pursuant to Section 2(e)(i), which shall be substantially in the form of Exhibit A or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

"Conforming Changes" means, with respect to the use, administration of or any conventions associated with SONIA, EURIBOR or any proposed Successor Rate for any currency, any conforming changes to the definitions of “SONIA”, “EURIBOR”, “Interest Period”, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters (including, for the avoidance of doubt, the definition of “Business Day”, timing of borrowing requests or prepayment, conversion or continuation notices and length of lookback periods) as may be appropriate, in the discretion of the Administrative Agent, to reflect the adoption and implementation of such applicable rate(s) and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice for such currency (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such rate for such currency exists, in such other manner of administration as the Administrative Agent determines is reasonably necessary in connection with the administration of this Amendment and any other Loan Document).

“Dollar” and “$” mean lawful money of the United States.

“Dollar Equivalent” means the Dollar Equivalent, Dollar Amount or any similar or analogous definition in the Agreement. If there is no such definition in the Agreement, “Dollar Equivalent” shall mean, for any amount, at the time of determination thereof, (a) if such amount is expressed in Dollars, such amount, (b) if such amount is expressed in an Alternative Currency, the equivalent of such amount in Dollars determined by using the rate of exchange for the purchase of Dollars with the Alternative Currency last provided (either by publication or otherwise provided to the Administrative Agent) by the applicable Bloomberg source (or such other publicly available source for displaying exchange rates) on date that is two (2) Business Days immediately preceding the date of determination (or if such service ceases to be available or ceases to provide such rate of exchange, the equivalent of such amount in Dollars as determined by the Administrative Agent using any method of determination it deems appropriate in its sole discretion) and (c) if such amount is denominated in any other currency, the equivalent of such amount in Dollars as determined by the Administrative Agent using any method of determination it deems appropriate in its sole discretion. Any determination by the Administrative Agent pursuant to clauses (b) or (c) above shall be conclusive absent manifest error.

“Eurocurrency Rate” means Eurocurrency Rate, LIBOR, Adjusted LIBOR Rate, LIBOR Rate or any similar or analogous definition in the Agreement.

“Eurocurrency Rate Loans” means a Loan that bears interest at a rate based on the Eurocurrency Rate.

“Federal Funds Rate” means, for any day, the rate per annum calculated by the Federal Reserve Bank of New York based on such day’s federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate; provided that if the Federal Funds Rate as so determined would be less than zero, such rate shall be deemed to be 0% for purposes of this Amendment.

“Interest Payment Date” means, (a) as to any Alternative Currency Daily Rate Loan, the first Business Day of each month and the applicable maturity date set forth in the Agreement and (b) as to any Alternative Currency Term Rate Loan, the last day of each Interest Period applicable to such Loan; provided, however, that if any Interest Period for an Alternative Currency Term Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall be Interest Payment Dates.

“Interest Period” means as to each Alternative Currency Term Rate Loan, the period commencing on the date such Alternative Currency Term Rate Loan is disbursed or converted to or continued as an Alternative Currency Term Rate Loan and ending on the date one, three or six months thereafter (in each case, subject to availability for the interest rate applicable to the relevant currency), as selected by the Borrower in its Committed Loan Notice; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of an Alternative Currency Term Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period pertaining to an Alternative Currency Term Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the applicable maturity date set forth in the Agreement.

"Relevant Rate" means, with respect to any Loan denominated in (a) Sterling, SONIA, (b) [RESERVED], (c) Euros, EURIBOR, (d) [RESERVED], as applicable.

"Responsible Officer" means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of the Borrower, solely for purposes of the delivery of incumbency certificates pursuant to the Agreement, the secretary or any assistant secretary of the Borrower and, solely for purposes of notices given pursuant to Section 2(e)(i), any other officer or employee of the Borrower so designated by any of the foregoing officers in a notice to the Administrative Agent or any other officer or employee of the Borrower designated in or pursuant to an agreement between the Borrower and the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of the Borrower shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of the Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of the Borrower. To the extent requested by the Administrative Agent, each Responsible Officer will provide an incumbency certificate and to the extent requested by the Administrative Agent, appropriate authorization documentation, in form and substance satisfactory to the Administrative Agent.

"Required Lenders" means the Required Lenders, Requisite Lenders, Majority Lenders or any similar or analogous definition in the Agreement, subject to Section 2(h) of this Appendix A.

"Revaluation Date" means, with respect to any Loan, each of the following: (a) each date of a Borrowing of an Alternative Currency Loan, (b) with respect to an Alternative Currency Daily Rate Loan, each Interest Payment Date, (c) each date of a continuation of an Alternative Currency Term Rate Loan pursuant to the terms of the Agreement, and (d) such additional dates as the Administrative Agent shall determine or the Required Lenders shall require.

"Scheduled Unavailability Date" has the meaning set forth in Section 2(h) of this Appendix A.

"SONIA" means, with respect to any applicable determination date, the Sterling Overnight Index Average Reference Rate published on such date on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time); provided however that if such determination date is not a Business Day, SONIA means such rate that applied on the first Business Day immediately prior thereto.

"SONIA Adjustment" means, with respect to SONIA, 0.0326% (3.26 basis points) per annum.

"Successor Rate" has the meaning set forth in Section 2(h) of this Appendix A.

"TARGET2" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on November 19, 2007.

"TARGET Day" means any day on which TARGET2 (or, if such payment system ceases to be operative, such other payment system, if any, determined by the Administrative Agent to be a suitable replacement) is open for the settlement of payments in Euro.

"Type" means, with respect to a Loan, its character as a Base Rate Loan, a Eurocurrency Rate Loan, an Alternative Currency Daily Rate Loan or an Alternative Currency Term Rate Loan.

2. Terms Applicable to Alternative Currency Loans. From and after the Amendment Effective Date, the parties hereto agree as follows:

(a) Alternative Currencies. (i) No Alternative Currency shall be considered a currency for which there is a published LIBOR rate, and (ii) any request for a new Loan denominated in an Alternative Currency, or to continue an existing Loan denominated in an Alternative Currency, shall be deemed to be a request for a new Loan bearing interest at the Alternative Currency Daily Rate or Alternative Currency Term Rate, as applicable; provided, that, to the extent any Loan bearing interest at the Eurocurrency Rate is outstanding on the Amendment Effective Date, such Loan shall continue to bear interest at the Eurocurrency Rate until the end of the current Interest Period or payment period applicable to such Loan unless, in the case of a Loan that bears interest at a daily floating rate, such daily floating rate is no longer representative or being made available, in which case such Loan shall bear interest at the applicable Alternative Currency Daily Rate immediately upon the effectiveness of this Amendment.

(b) References to Eurocurrency Rate and Eurocurrency Rate Loans in the Agreement and Loan Documents.

(i) References to the Eurocurrency Rate and Eurocurrency Rate Loans in provisions of the Agreement and the other Loan Documents that are not specifically addressed herein (other than the definitions of Eurocurrency Rate and Eurocurrency Rate Loan) shall be deemed to include Alternative Currency Daily Rates, Alternative Currency Term Rates, and Alternative Currency Loans, as applicable.

(ii) For purposes of any requirement for the Borrower to compensate Lenders for losses in the Agreement resulting from any continuation, conversion, payment or prepayment of any Alternative Currency Loan on a day other than the last day of any Interest Period (as defined in the Agreement), references to the Interest Period (as defined in the Agreement) shall be deemed to include any relevant interest payment date or payment period for an Alternative Currency Loan.

(c) Interest Rates. **The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of "Alternative Currency Daily Rate", "Alternative Currency Term Rate"** or with respect to any rate (including, for the avoidance of doubt, the selection of such rate and any related spread or other adjustment) that is an alternative or replacement for or successor to any such rate or the effect of any of the foregoing, or of any Conforming Changes.

(d) Revaluation Dates. The Administrative Agent shall determine the Dollar Equivalent amounts of Borrowings and Loans denominated in Alternative Currencies. Such Dollar Equivalent shall become effective as of such Revaluation Date and shall be the Dollar Equivalent of such amounts until the next Revaluation Date to occur.

(e) Borrowings and Continuations of Alternative Currency Loans. In addition to any other borrowing requirements set forth in the Agreement:

(i) Alternative Currency Loans. Each Borrowing of Alternative Currency Loans, and each continuation of an Alternative Currency Term Rate Loan shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by (A) telephone or (B) a Committed Loan Notice; provided that any telephonic notice must be confirmed immediately by delivery to the Administrative Agent of a Committed Loan Notice. Each such Committed Loan Notice must be received by the Administrative Agent not later than 11:00 a.m. (Eastern time) three Business Days (or five Business Days in the case of a Special Notice Currency) prior to the requested date of any Borrowing or, in the case of Alternative Currency Term Rate Loans, any continuation. Each Borrowing of or continuation of Alternative Currency Loans shall be in the minimum amounts set forth in the Agreement for Loans bearing interest at the Eurocurrency Rate and denominated in the applicable Alternative Currency. Each Committed Loan Notice shall specify (i) whether the Borrower is requesting a Borrowing or a continuation of Alternative Currency Term Rate Loans, (ii) the requested date of the Borrowing or continuation, as the case may be (which shall be a Business Day), (iii) the currency and principal amount of Loans to be borrowed or continued, (iv) the Type of Loans to be borrowed, (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a currency in a Loan Notice requesting a Borrowing, then the Loans so requested shall be made in Dollars. If the Borrower fails to specify a Type of Loan in a Committed Loan Notice or if such Borrower fails to give a timely notice requesting a continuation, then the applicable Loans shall be made as Base Rate Loans denominated in Dollars; provided, however, that in the case of a failure to timely request a continuation of Alternative Currency Term Rate Loans, such Loans shall be continued as Alternative Currency Term Rate Loans in their original currency with an Interest Period of one (1) month. If the Borrower requests a Borrowing of or continuation of Alternative Currency Term Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Except as otherwise specified in the Agreement, no Alternative Currency Loan may be converted into or continued as a Loan denominated in a different currency, but instead must be repaid in the original currency of such Alternative Currency Loan and reborrowed in the other currency.

(ii) Conforming Changes. With respect to any Alternative Currency Daily Rate or any Alternative Currency Term Rate, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein, in the Agreement or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Amendment, the Agreement or any other Loan Document; provided, that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Conforming Changes to the Borrower and the Lenders reasonably promptly after such amendment becomes effective.

(iii) Committed Loan Notice. For purposes of a Borrowing of Alternative Currency Loans, or a continuation of and Alternative Currency Term Rate Loan, the Borrower shall use the Committed Loan Notice attached hereto as Exhibit A.

(f) Interest.

(i) Subject to the provisions of the Agreement with respect to default interest, (x) each Alternative Currency Daily Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Alternative Currency Daily Rate plus the Applicable Rate; and (y) each Alternative Currency Term Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Alternative Currency Term Rate for such Interest Period plus the Applicable Rate.

(ii) Interest on each Alternative Currency Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified the Agreement. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any debtor relief law.

(g) Computations. All computations of interest for Alternative Currency Loans shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed, or, in the case of interest in respect of Alternative Currency Loans as to which market practice differs from the foregoing, in accordance with such market practice. Interest shall accrue on each Alternative Currency Loans for the day on which the Alternative Currency Loans is made, and shall not accrue on an Alternative Currency Loans, or any portion thereof, for the day on which the Alternative Currency Loans or such portion is paid, provided that any Alternative Currency Loans that is repaid on the same day on which it is made shall, subject to the terms of the Agreement, bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(h) Inability to Determine Rate; Successor Rates.

(i) Defined Terms. For purposes of this Section 2(h), those Lenders that either have not made, or do not have an obligation under the Agreement to make, the relevant Loans in the relevant Alternative Currency shall be excluded from any determination of Required Lenders.

(ii) Inability to Determine Rates. If in connection with any request for an Alternative Currency Loan or a continuation of any of such Loans, as applicable, (A) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (x) no Successor Rate for the Relevant Rate for the applicable currency has been determined in accordance with Section 2(h)(iii) and the circumstances under clause (x) of Section 2(h)(iii) or the Scheduled Unavailability Date has occurred with respect to such Relevant Rate (as applicable), or (y) adequate and reasonable means do not otherwise exist for determining the Relevant Rate for the applicable currency for any determination date(s) or requested Interest Period, as applicable, with respect to a proposed Alternative Currency Loan, or (B) the Administrative Agent or the Required Lenders determine that for any reason that the Relevant Rate with respect to a proposed Loan denominated in an a currency for any requested Interest Period or determination date(s) does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Loans in the affected currencies, as applicable, shall be suspended in each case to the extent of the affected Alternative Currency Loans or Interest Period or determination date(s), as applicable, in each case until the Administrative Agent (or, in the case of a determination by the Required Lenders described in clause (B) of this Section, until the Administrative Agent upon instruction of the Required Lenders) revokes such notice.

Upon receipt of such notice, (A) the Borrower may revoke any pending request for a Borrowing of, or continuation of Alternative Currency Loans to the extent of the affected Alternative Currency Loans or Interest Period or determination date(s), as applicable or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans denominated in Dollars in the Dollar Equivalent of the amount specified therein and (B) any outstanding affected Alternative Currency Loans, at the Borrower's election, shall either (1) be converted into a Borrowing of Base Rate Loans denominated in Dollars in the Dollar Equivalent of the amount of such outstanding Alternative Currency Loan immediately, in the case of an Alternative Currency Daily Rate Loan or at the end of the applicable Interest Period, in the case of an Alternative Currency Term Rate Loan or (2) be prepaid in full immediately, in the case of an Alternative Currency Daily Rate Loan, or at the end of the applicable Interest Period, in the case of an Alternative Currency Term Rate Loan; provided that if no election is made by the Borrower (x) in the case of an Alternative

Currency Daily Rate Loan, by the date that is three Business Days after receipt by the Borrower of such notice or (y) in the case of an Alternative Currency Term Rate Loan, by the last day of the current Interest Period for the applicable Alternative Currency Term Rate Loan, the Borrower shall be deemed to have elected clause (1) above.

(iii) Replacement of Relevant Rate or Successor Rate. Notwithstanding anything to the contrary in this Amendment, the Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be conclusive absent manifest error), or the Borrower or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to the Borrower) that the Borrower or Required Lenders (as applicable) have determined, that:

(x) adequate and reasonable means do not exist for ascertaining the Relevant Rate for an Alternative Currency because none of the tenors of such Relevant Rate (including any forward-looking term rate thereof) is available or published on a current basis and such circumstances are unlikely to be temporary; or

(y) the Applicable Authority has made a public statement identifying a specific date after which all tenors of the Relevant Rate for an Alternative Currency (including any forward-looking term rate thereof) shall or will no longer be representative or made available, or used for determining the interest rate of loans denominated in such Alternative Currency, or shall or will otherwise cease, provided that, in each case, at the time of such statement, there is no successor administrator that is satisfactory to the Administrative Agent that will continue to provide such representative tenor(s) of the Relevant Rate for such Alternative Currency (the latest date on which all tenors of the Relevant Rate for such Alternative Currency (including any forward-looking term rate thereof) are no longer representative or available permanently or indefinitely, the "Scheduled Unavailability Date"); or

(z) syndicated loans currently being executed and agented in the United States, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace the Relevant Rate for an Alternative Currency;

or if the events or circumstances of the type described in Section 2(h)(iii)(x), (iii)(y) or (iii)(z) of this Appendix A have occurred with respect to the Successor Rate then in effect, then, the Administrative Agent and the Borrower may amend this Amendment solely for the purpose of replacing the Relevant Rate for an Alternative Currency or any then current Successor Rate for an Alternative Currency in accordance with this Section 2(h)(iii) with an alternative benchmark rate giving due consideration to any evolving or then existing convention for similar credit facilities syndicated and agented in the United States and denominated in such Alternative Currency for such alternative benchmarks, and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar credit facilities syndicated and agented in the United States and denominated in such Alternative Currency for such benchmarks, which adjustment or method for calculating such adjustment shall be published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion and may be periodically updated (and any such proposed rate, including for the avoidance of doubt, any adjustment thereto, a "Successor Rate"), and any such amendment shall become effective at 5:00 p.m. on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders object to such amendment.

The Administrative Agent will promptly (in one or more notices) notify the Borrower and each Lender of the implementation of any Successor Rate.

Any Successor Rate shall be applied in a manner consistent with market practice; provided that to the extent such market practice is not administratively feasible for the Administrative Agent, such Successor Rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.

Notwithstanding anything else herein or in the Agreement, if at any time any Successor Rate as so determined would otherwise be less than zero, the Successor Rate will be deemed to be 0% for purposes of this Amendment and the other Loan Documents.

In connection with the implementation of a Successor Rate, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Amendment; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Conforming Changes to the Borrower and the Lenders reasonably promptly after such amendment becomes effective.

(i) Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable law (the "Maximum Rate"). If the Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower.

Exhibit A

FORM OF COMMITTED LOAN NOTICE
(Alternative Currency Loans)

Date: ___________, _____[1]

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of September 27, 2019 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among POWELL INDUSTRIES, INC., a Delaware corporation (the "Borrower"), the Guarantors party thereto, the Lenders from time to time party thereto, and BANK OF AMERICA, N.A., as Administrative Agent.

The undersigned hereby requests (select one)[2]:

[Revolving Facility]

Indicate: Borrowing, Conversion or Continuation	**Indicate: Borrower Name**	**Indicate: Requested Amount**	**Indicate: Currency**	**Indicate: Alternative Currency Daily Rate Loan or Alternative Currency Term Rate Loan**	**For Alternative Currency Term Rate Loans Indicate:** **Interest Period (e.g., 1, 3 or 6 month interest period)**

[Term Facility]

[1] Note to Borrower. All requests submitted under a single Committed Loan Notice must be effective on the same date. If multiple effective dates are needed, multiple Committed Loan Notices will need to be prepared and signed.
[2] Note to Borrower. For multiple borrowings, conversions and/or continuations for a particular facility, fill out a new row for each borrowing/conversion and/or continuation.

<u>Indicate</u>: **Borrowing, Conversion or Continuation**	**<u>Indicate</u>:** **Borrower Name**	**<u>Indicate</u>:** **Requested Amount**	**<u>Indicate</u>:** **Currency**	**<u>Indicate</u>:** **Alternative Currency Daily Rate Loan or Alternative Currency Term Rate Loan**	**<u>For Alternative Currency Term Rate Loans Indicate:</u>** **Interest Period (e.g., 1, 3 or 6 month interest period)**

The Borrowing, if any, requested herein complies with the requirements set forth in the Agreement.

POWELL INDUSTRIES, INC.,
a Delaware corporation

By:___________

Name: [Type Signatory Name]
Title: [Type Signatory Title]

EXHIBIT 31.1

CERTIFICATION

I, Brett A. Cope, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Powell Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Brett A. Cope
Brett A. Cope
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 9, 2022

EXHIBIT 31.2

CERTIFICATION

I, Michael W. Metcalf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Powell Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael W. Metcalf
Michael W. Metcalf
Executive Vice President
Chief Financial Officer
(Principal Financial Officer)

Date: February 9, 2022

EXHIBIT 32.1

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

In connection with this Quarterly Report (the “Report”) on Form 10-Q of Powell Industries, Inc. (the “Company”) for the quarter ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof, I, Brett A. Cope, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Brett A. Cope
Brett A. Cope
President and Chief Executive Officer

Date: February 9, 2022

EXHIBIT 32.2

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

In connection with this Quarterly Report (the “Report”) on Form 10-Q of Powell Industries, Inc. (the “Company”) for the quarter ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof, I, Michael W. Metcalf, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Michael W. Metcalf
Michael W. Metcalf
Executive Vice President
Chief Financial Officer

Date: February 9, 2022