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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer ☐	Accelerated filer x	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐
	(Do not check if a smaller reporting 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 August 4, 2017, there were 11,428,638 outstanding shares of the registrant's common stock, par value $0.01 per share.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

	Page
Part I — Financial Information	3
Item 1. Condensed Consolidated Financial Statements	3
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Operations	4
Condensed Consolidated Statements of Comprehensive Income (Loss)	5
Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosures About Market Risk	22
Item 4. Controls and Procedures	23
Part II — Other Information	23
Item 1. Legal Proceedings	23
Item 1A. Risk Factors	24
Item 6. Exhibits	24
Signatures	26

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)

	June 30, 2017	September 30, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 32,484	$ 97,720
Short-term investments	55,364	—
Restricted cash	15,485	—
Accounts receivable, less allowance for doubtful accounts of $90 and $811	77,547	101,048
Costs and estimated earnings in excess of billings on uncompleted contracts	46,127	66,106
Inventories	19,028	26,521
Income taxes receivable	7,544	1,713
Deferred income taxes	4,061	4,006
Prepaid expenses	2,293	4,569
Other current assets	386	2,457
Total Current Assets	260,319	304,140
Property, plant and equipment, net	138,664	144,977
Restricted cash	9,816	—
Goodwill and intangible assets, net	1,822	2,059
Other assets	13,708	11,340
Total Assets	$ 424,329	$ 462,516
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 400	$ 400
Accounts payable	25,218	34,985
Accrued salaries, bonuses and commissions	14,106	22,550
Billings in excess of costs and estimated earnings on uncompleted contracts	41,882	43,974
Accrued product warranty	3,332	4,639
Income taxes payable	1,084	1,459
Other accrued expenses	4,000	8,212
Deferred credit — short term (Note D)	1,015	2,029
Total Current Liabilities	91,037	118,248
Long-term debt, net of current maturities	1,600	2,000
Deferred compensation	5,073	4,840
Deferred income taxes	—	138
Other long-term liabilities	1,519	1,466
Deferred credit — long term (Note D)	—	507
Total Liabilities	99,229	127,199
Commitments and Contingencies (Note F)		
Stockholders' Equity:		
Preferred stock, par value $.01; 5,000,000 shares authorized; none issued	—	—
Common stock, par value $.01; 30,000,000 shares authorized; 12,234,656 and 12,199,511 shares issued, respectively	122	122
Additional paid-in capital	53,909	52,003
Retained earnings	318,712	331,959
Treasury stock, 806,018 shares at cost	(24,999)	(24,999)
Accumulated other comprehensive loss	(22,644)	(23,768)
Total Stockholders' Equity	325,100	335,317
Total Liabilities and Stockholders' Equity	$ 424,329	$ 462,516

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 June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Revenues	$ 85,927	$ 133,207	$ 300,948	$ 435,450
Cost of goods sold	76,873	105,922	261,073	354,921
Gross profit	9,054	27,285	39,875	80,529
Selling, general and administrative expenses	14,761	19,362	46,453	57,787
Research and development expenses	1,726	1,640	4,818	5,453
Amortization of intangible assets	87	89	263	263
Restructuring and separation costs	—	647	840	7,703
Operating income (loss)	(7,520)	5,547	(12,499)	9,323
Other income	(507)	(507)	(1,522)	(1,522)
Interest expense	41	38	122	112
Interest income	(156)	(42)	(287)	(113)
Income (loss) before income taxes	(6,898)	6,058	(10,812)	10,846
Income tax provision (benefit)	(3,683)	1,164	(6,469)	844
Net income (loss)	$ (3,215)	$ 4,894	$ (4,343)	$ 10,002
Income (loss) per share:				
Basic	$ (0.28)	$ 0.43	$ (0.38)	$ 0.88
Diluted	$ (0.28)	$ 0.43	$ (0.38)	0.87
Weighted average shares:				
Basic	11,463	11,397	11,449	11,387
Diluted	11,463	11,473	11,449	11,435
Dividends per share	$ 0.26	$ 0.26	$ 0.78	$ 0.78

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 June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$ (3,215)	$ 4,894	$ (4,343)	$ 10,002
Foreign currency translation adjustments	2,849	(1,292)	1,124	722
Comprehensive income (loss)	$ (366)	$ 3,602	$ (3,219)	$ 10,724

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

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

	Nine months ended June 30,	
	2017	**2016**
Operating Activities:		
Net income (loss)	$ (4,343)	$ 10,002
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,218	9,801
Amortization	263	263
Stock-based compensation	2,304	4,235
Bad debt expense (recovery)	(226)	221
Deferred income taxes	(915)	1,463
Gain on amended supply agreement	(1,522)	(1,522)
Cash received from amended supply agreement	2,333	2,333
Changes in operating assets and liabilities:		
Accounts receivable, net	23,847	13,455
Costs and billings in excess of estimated earnings on uncompleted contracts	17,861	25,337
Inventories	7,519	4,639
Prepaid expenses and other current assets	(3,809)	597
Accounts payable and income taxes payable	(10,002)	(11,282)
Accrued liabilities	(14,017)	2,310
Other, net	(1,387)	(52)
Net cash provided by operating activities	27,124	61,800
Investing Activities:		
Proceeds from sale of property, plant and equipment	11	122
Purchases of short-term investments	(60,018)	—
Maturities of short-term investments	4,654	—
Changes in restricted cash	(25,301)	—
Purchases of property, plant and equipment	(2,520)	(2,000)
Net cash used in investing activities	(83,174)	(1,878)
Financing Activities:		
Payments on industrial development revenue bonds	(400)	(400)
Shares withheld in lieu of employee tax withholding	(398)	(1,000)
Purchase of treasury shares	—	(3,740)
Dividends paid	(8,904)	(8,882)
Net cash used in financing activities	(9,702)	(14,022)
Net increase (decrease) in cash and cash equivalents	(65,752)	45,900
Effect of exchange rate changes on cash and cash equivalents	516	(118)
Cash and cash equivalents, beginning of period	97,720	43,569
Cash and cash equivalents, end of period	$ 32,484	$ 89,351

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) was incorporated in the state of Delaware in 2004 as a successor to a Nevada company incorporated in 1968. The Nevada corporation was the successor to a company founded by William E. Powell in 1947, which merged into the Company in 1977. Our major subsidiaries, all of which are wholly owned, include: Powell Electrical Systems, Inc.; Powell (UK) Limited; Powell Canada Inc. and Powell Industries International, B.V.

We develop, design, manufacture and service custom-engineered equipment and systems for the distribution, control and monitoring of electrical energy. Headquartered in Houston, Texas, we serve the oil and gas refining, offshore oil and gas production, petrochemical, pipeline, terminal, mining and metals, light rail traction power, electric utility, pulp and paper and other industrial markets.

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, 2016, which was filed with the Securities and Exchange Commission (SEC) on December 7, 2016.

References to Fiscal 2017 and Fiscal 2016 used throughout this report shall mean our fiscal years ended September 30, 2017 and 2016, 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 and cost recognition for construction contracts, the allowance for doubtful accounts, provision for excess and obsolete inventory, self-insurance, warranty accruals, liquidated damages and income taxes. The amounts recorded for insurance claims, warranties, legal, liquidated damages, income taxes and other contingent liabilities require judgments regarding the amount of expenses that will ultimately be incurred. We base our estimates on historical experience and on various other assumptions, as well as the specific circumstances surrounding these contingent liabilities, in evaluating the amount of liability that should be recorded. Additionally, the recognition of deferred tax assets requires estimates related to future income and other assumptions regarding timing and future profitability. Estimates routinely change as new events occur, additional information becomes available or operating environments change. Actual results may differ from our prior estimates.

For the three and nine months ended June 30, 2017, our operating loss was positively impacted by $3.6 million and $7.4 million, respectively, as a result of changes in contract estimates related to projects in progress at the beginning of the respective periods. These changes in estimates resulted primarily from, among other things, successful execution and close-out improvements, as well as other changes in facts and circumstances during these periods.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard on revenue recognition that supersedes previously issued revenue recognition guidance. This standard provides a five-step approach to be applied to all contracts with customers and requires expanded disclosures about the nature, amount, timing and uncertainty of revenue (and the related cash flows) arising from customer contracts, significant judgments and changes in judgments used in applying the revenue model and the assets recognized from costs incurred to obtain or fulfill a contract. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, which would be our fiscal year ending September 30, 2019. We continue to work with various other companies in our industry as well as outside accounting advisors to evaluate this standard and understand the impact that the adoption of this new standard will have on our consolidated financial statements and related disclosures. We believe that we will continue to recognize revenue over time utilizing the cost-to-cost method to measure our progress for the vast majority of our contracts. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In November 2015, the FASB issued an amendment to the topic regarding income taxes which requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in the statement of financial position. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, the amendments require that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This amendment is effective for annual reporting periods beginning after December 15, 2016, which would be our fiscal year ending September 30, 2018. We have no plans for early adoption. We are still evaluating this new amendment, but we do not expect it to have a material impact on our consolidated financial position or results of operations.

In February 2016, the FASB issued a new topic on leases which requires lessees to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This would be our fiscal year ending September 30, 2020. We plan to adopt this new standard beginning in Fiscal 2018, and do not expect it to have a material impact on our consolidated financial position or results of operations.

In November 2016, the FASB issued new standards on the statement of cash flows and restricted cash that change the presentation of restricted cash and cash equivalents on the statement of cash flows. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. These standards are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, which would be our fiscal year ending September 30, 2019. We have no plans for early adoption. We are still evaluating these new standards, but we do not expect them to have a material impact on our consolidated financial position or results of operations.

In May 2017, the FASB issued a new topic on modification accounting with regards to stock based compensation. This new topic clarifies when a change to the terms or conditions of a share-based payment award should be accounted for as a modification. An entity should account for the effects of a modification unless the fair value, vesting conditions and classification, as an equity instrument or a liability instrument, of the modified award are the same before and after a change to the terms or conditions of the share-based payment award. The standard is effective for annual reporting periods beginning after December 15, 2017, which would be our fiscal year ending September 30, 2018. We do not expect this topic to have a material impact on our consolidated financial position or results of operations.

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 June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Numerator:				
Net income (loss)	$ (3,215)	$ 4,894	$ (4,343)	$ 10,002
Denominator:				
Weighted average basic shares	11,463	11,397	11,449	11,387
Dilutive effect of restricted stock units	—	76	—	48
Weighted average diluted shares with assumed conversions	11,463	11,473	11,449	11,435
Net income (loss) per share:				
Basic	$ (0.28)	$ 0.43	$ (0.38)	$ 0.88
Diluted	$ (0.28)	$ 0.43	$ (0.38)	$ 0.87

For the quarter and nine months ended June 30, 2017, 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 Doubtful Accounts

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Balance at beginning of period	$ 310	$ 976	$ 811	$ 746
Bad debt expense (recovery)	(129)	(118)	(226)	221
Uncollectible accounts written off, net of recoveries	(92)	16	(493)	(98)
Change due to foreign currency translation	1	(3)	(2)	2
Balance at end of period	$ 90	$ 871	$ 90	$ 871

Inventories

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

	June 30, 2017	September 30, 2016
Raw materials, parts and subassemblies, net	$ 18,244	$ 25,525
Work-in-progress	784	996
Total inventories	$ 19,028	$ 26,521

Cost and Estimated Earnings on Uncompleted Contracts

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

	June 30, 2017	September 30, 2016
Costs incurred on uncompleted contracts	$ 1,025,641	$ 1,088,921
Estimated earnings	334,072	350,125
	1,359,713	1,439,046
Less: Billings to date	(1,355,468)	(1,416,914)
Net underbilled position	$ 4,245	$ 22,132
Included in the accompanying balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 46,127	$ 66,106
Billings in excess of costs and estimated earnings on uncompleted contracts	(41,882)	(43,974)
Net underbilled position	$ 4,245	$ 22,132

Accrued Product Warranty

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Balance at beginning of period	$ 3,649	$ 4,787	$ 4,639	$ 4,930
Increase to warranty expense	593	1,174	1,313	3,332
Deduction for warranty charges	(949)	(1,206)	(2,618)	(3,481)
Change due to foreign currency translation	39	(26)	(2)	(52)
Balance at end of period	$ 3,332	$ 4,729	$ 3,332	$ 4,729

D. GOODWILL AND INTANGIBLE ASSETS

Our intangible assets consist of goodwill, which is not being amortized, and purchased technology, which is amortized over its estimated useful life. Intangible assets balances, subject to amortization, at June 30, 2017 and September 30, 2016 consisted of the following (in thousands):

	June 30, 2017			September 30, 2016		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Purchased technology	$ 11,749	$ (10,930)	$ 819	$ 11,749	$ (10,693)	$ 1,056

Amortization of intangible assets was $0.3 million for the nine months ended June 30, 2017 and 2016.

On August 7, 2006, we purchased certain assets related to the manufacturing of ANSI medium-voltage switchgear and circuit breaker business from General Electric Company (GE). In connection with the acquisition, we entered into a 15-year supply agreement with GE pursuant to which GE would purchase from us all of their requirements for ANSI medium-voltage switchgear and circuit breakers and other related equipment and components (the Products). In connection with the acquisition, we recorded an intangible asset related to this supply agreement. On December 30, 2013, we and GE amended the supply agreement to allow GE to manufacture similar Products for sale immediately and allow them to begin purchasing Products from other suppliers beginning December 31, 2014. In return, GE paid us $10.0 million upon execution of the amended supply agreement and agreed to pay an additional $7 million over three years, beginning March 2015. The final balance of $2.3 million was received in April 2017. We wrote off the intangible asset related to the original supply agreement and recorded a deferred credit in the amount of $8.1 million at December 31, 2013, the amount by which the proceeds from GE exceeded the unamortized balance of our intangible asset. We are amortizing this deferred credit over the four-year life of the agreement and have recognized gains in other income of $1.5 million for the nine months ended June 30, 2017 and 2016. As of June 30, 2017, there is approximately $1.0 million remaining in the deferred credit balance.

E. LONG-TERM DEBT

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

	June 30, 2017	September 30, 2016
Industrial development revenue bonds	$ 2,000	$ 2,400
Less current portion	(400)	(400)
Total long-term debt	$ 1,600	$ 2,000

U.S. Revolver

We have a $75.0 million revolving credit facility (U.S. Revolver) to provide working capital support and letters of credit. In June 2017, we entered into the Third Amendment to the Credit Agreement (the Third Amendment). The Third Amendment, among other things, (i) extended the Maturity Date from December 2018 to June 2022; (ii) amended the definition of Applicable Rate by (a) providing that Pricing Level I shall apply when a Cash Collateral Period (described below) is in effect and that Pricing Level II shall apply when no Cash Collateral Period is in effect, (b) decreasing the Letter of Credit Fee percentage for Pricing Level I from 1.00% to 0.875% and (c) increasing the Commitment Fee percentage for both Pricing Level I and Pricing Level II from 0.1875% to 0.20%; (iii) added a new requirement that during a Cash Collateral Period we maintain a cash balance in a pledged cash collateral account equal to at least 102% of the Outstanding Amount of Revolving Loans and Letter of Credit Obligations and (iv) modified the Financial Covenants by requiring that, during any Cash Collateral Period, the Consolidated Current Ratio be no less than 1.10 to 1.0. Price Level 3 has been removed and our ability to pay dividends remains subject to financial covenant restrictions.

Generally, a Cash Collateral Period under the Third Amendment is defined as a fiscal quarter during which we have pledged our cash collateral account to the Administrative Agent. A Cash Collateral Period will terminate on the last day of the fiscal quarter in which we satisfy the Level II Pricing Covenants set forth in the Third Amendment for two consecutive fiscal quarters. If we are not in compliance with the Level II Pricing Covenants, we are subject to Level I Pricing Covenants.

The Cash Collateral Period was in effect as of June 30, 2017, therefore we placed $25.3 million in a pledged cash collateral account, which was 102% of our outstanding letters of credit as of June 30, 2017. The cash collateral associated with the outstanding letters of credit that are due to expire beyond twelve months has been classified as non-current restricted cash on the balance sheet as of June 30, 2017.

The interest rate for amounts outstanding under the U.S. Revolver is a floating rate based upon the higher of the Federal Funds Rate plus 0.5%, the bank’s prime rate, or the Eurocurrency rate plus 1.00%. Once the applicable rate is determined, a margin ranging up to 1.25% is added to the applicable rate. The U.S. Revolver provides for the issuance of letters of credit which reduce the amounts that may be borrowed under this revolver. We had $24.6 million of outstanding letters of credit under the U.S. Revolver at June 30, 2017.

There were no borrowings outstanding under the U.S. Revolver as of June 30, 2017. Amounts available under the U.S. Revolver were $50.4 million at June 30, 2017. The U.S. Revolver expires on June 27, 2022.

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 outstanding under the U.S. Revolver may be accelerated and may become immediately due and payable. As of June 30, 2017, we were in compliance with all of the financial covenants of the U.S. Revolver.

Canadian Revolver

We had a $7.7 million credit agreement with a major international bank in Canada (the Canadian Revolver) to provide working capital support and letters of credit for our operations in Canada. There were no borrowings or outstanding letters of credit under the Canadian Revolver as of June 30, 2017 and therefore subsequent to June 30, 2017, we canceled the Canadian Revolver. We believe that the cash available in Canada and the U.S. should be sufficient to fund our Canadian operations for the foreseeable future.

Industrial Development Revenue Bonds

We borrowed $8.0 million in October 2001 through a loan agreement funded with proceeds from tax-exempt industrial development revenue bonds (Bonds). These Bonds were issued by the Illinois Development Finance Authority and were used for the completion of our Northlake, Illinois facility. Pursuant to the Bond issuance, a reimbursement agreement between us and a major domestic bank required an issuance by the bank of an irrevocable direct-pay letter of credit (Bond LC), as collateral, to the Bonds' trustee to guarantee payment of the Bonds' principal and interest when due. The Bond LC is subject to both early termination and extension provisions customary to such agreements, as well as various covenants, for which we were in compliance at June 30, 2017. While the Bonds mature in 2021, the reimbursement agreement requires annual redemptions of $0.4 million that commenced on October 25, 2002. A sinking fund is used for the redemption of the Bonds. The Bonds bear interest at a floating rate determined weekly by the Bonds' remarketing agent, which was the underwriter for the Bonds and is an affiliate of the bank. This interest rate was 1.05% as of June 30, 2017.

F. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Surety Bonds

Certain customers require us to post bank letter of credit guarantees or surety bonds. These guarantees and surety bonds assure that we will perform under the terms of our contract. In the event of default, the counterparty may demand payment from the bank under a letter of credit or performance by the surety under a bond. To date, there have been no significant expenses related to either letters of credit or surety bonds for the periods reported. We were contingently liable for secured and unsecured letters of credit of $24.6 million as of June 30, 2017. We also had surety bonds totaling $221.7 million that were outstanding, with additional bonding capacity of $528.3 million available, at June 30, 2017.

We have a $6.5 million facility agreement (Facility Agreement) between Powell (UK) Limited and a large international bank. This Facility Agreement provides Powell (UK) Limited the ability to enter into bank guarantees as well as forward exchange contracts and currency options. At June 30, 2017, we had outstanding guarantees totaling $4.2 million under this Facility Agreement and amounts available under this Facility Agreement were $2.3 million. This facility expires in May 2018. The Facility Agreement provides for financial covenants and 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 may become or be declared immediately due and payable. As of June 30, 2017, we were in compliance with all of the financial covenants of the Facility Agreement.

Litigation

We are involved in various legal proceedings, claims and other disputes arising 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.

Liquidated Damages

Certain of our customer contracts have schedule and performance obligation clauses that, if we fail to meet them, could require us to pay liquidated damages. Each individual contract defines the conditions under which the customer may make a claim against us. As of June 30, 2017, our exposure to possible liquidated damages was $6.8 million, of which approximately $1.5 million is probable. Based on our actual or projected failure to meet these various contractual commitments, $1.5 million has been recorded as a reduction to revenue. We will attempt to obtain change orders, contract extensions or accelerate project completion which may resolve the potential for any unaccrued liquidated damage. Should we fail to achieve relief on some or all of these contractual obligations, we could be required to pay additional liquidated damages, which could negatively impact our future operating results.

G. STOCK-BASED COMPENSATION

Refer to our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 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 closing price of our common stock as reported on the NASDAQ Global Market on the grant dates. These grants vest over a three-year period from their date of issuance. Sixty percent of the grant is time-based and vests over a three-year period on each anniversary of the grant date, based on continued employment. The remaining forty percent of the grant will be earned based on the three-year earnings performance of the Company following the grant date. At June 30, 2017, there were 194,537 RSUs outstanding. The RSUs do not have voting rights but do receive dividend equivalents upon vesting; additionally, the shares of common stock underlying the RSUs are not considered issued and outstanding until vested and common stock is issued.

RSU activity (number of shares) for the nine months ended June 30, 2017 is summarized below:

	Number of Restricted Stock Units	Weighted Average Fair Value Per Share
Outstanding at September 30, 2016	159,988	$ 43.12
Granted	62,100	39.57
Vested	(27,551)	39.08
Outstanding at June 30, 2017	194,537	$ 42.56

During the nine months ended June 30, 2017 and 2016, we recorded compensation expense of $1.7 million and $3.7 million, respectively, related to the RSUs. The higher compensation expense recorded in the nine months ended June 30, 2016 was primarily due to the early vesting of shares associated with executive separation costs, see Note J.

Restricted Stock

Beginning with the February 2017 grant, fifty-percent of the restricted stock granted to each of our non-employee directors vests immediately, while the remaining fifty-percent will vest on the anniversary of the grant date. Compensation expense will be recognized immediately for the first fifty-percent of the restricted stock granted, while compensation expense for the remaining fifty-percent will be recognized over the remaining vesting period based on the price per share on the grant date. In February 2017, 17,000 shares of restricted stock were issued to our non-employee directors at a price of $34.24 per share under the 2014 Director Plan.

During the nine months ended June 30, 2017 and 2016, we recorded compensation expense of $0.6 million, respectively, related to restricted stock grants.

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 June 30, 2017 (in thousands):

	Fair Value Measurements at June 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at June 30, 2017
Assets:				
Cash equivalents	$ 336	$ —	$ —	$ 336
Short-term investments	55,364	—	—	55,364
Restricted cash	25,301	—	—	25,301
Deferred compensation	793	5,445	—	6,238
Liabilities:				
Deferred compensation	—	4,734	—	4,734

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, 2016 (in thousands):

	Fair Value Measurements at September 30, 2016			
	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, 2016
Assets:				
Cash equivalents	$ 435	$ —	$ —	$ 435
Deferred compensation	1,643	4,130	—	5,773
Liabilities:				
Deferred compensation	—	4,449	—	4,449

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

Fair Value of Other Financial Instruments

Fair value guidance requires certain fair value disclosures 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.

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

Restricted Cash – Restricted cash represents a pledged cash collateral balance which is required under our recently amended credit agreement. We have classified this balance as non-current on the balance sheet. See Note E for further discussion on restricted cash.

Deferred Compensation – We hold investments in an irrevocable Rabbi Trust for our deferred compensation plan. These assets include both mutual fund investments and company-owned life insurance policies. Under the plan, participants designate investment options to serve as the basis for measurement of the notional value of their accounts. The fair values of the underlying securities of these funds are based on quoted market prices and are categorized as Level 1 in the fair value measurement hierarchy. The company-owned life insurance policies are valued at cash surrender value and are therefore categorized as Level 2 in the fair value measurement hierarchy.

Industrial Development Revenue Bonds– The fair value of our long-term debt depends primarily on the coupon rate of our industrial development revenue bonds. The carrying value of our long-term debt at June 30, 2017, approximates fair value based on the

current coupon rate of the bonds, which is reset weekly. It is classified as a Level 2 input in the fair value measurement hierarchy as there is an active market for the trading of these industrial development revenue bonds.

There were no transfers between levels within the fair value measurement hierarchy during the three months ended June 30, 2017.

I. INCOME TAXES

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Income (loss) before income taxes	$ (6,898)	$ 6,058	$ (10,812)	$ 10,846
Income tax provision (benefit)	(3,683)	1,164	(6,469)	844
Net income (loss)	$ (3,215)	$ 4,894	$ (4,343)	$ 10,002
Effective tax rate	53%	19%	60%	8%

We recorded an income tax benefit of $3.7 million in the third quarter of Fiscal 2017, compared to an income tax provision of $1.2 million in the third quarter of Fiscal 2016. The effective tax rate for the third quarter of Fiscal 2017 was 53% compared to an effective tax rate of 19% in the third quarter of Fiscal 2016. The effective tax rates for the third quarter of Fiscal 2017 and 2016 were favorably impacted by the utilization of net operating loss carryforwards in Canada that are fully reserved with a valuation allowance. In addition, the effective tax rate for the third quarter of Fiscal 2017 was favorably impacted by discrete items recognized during the quarter, primarily related to the Research and Development Tax Credit (R&D Tax Credit).

We recorded an income tax benefit of $6.5 million for the nine months ended June 30, 2017, compared to an income tax provision of $0.8 million for the nine months ended June 30, 2016. The effective tax rate was 60% for the nine months ended June 30, 2017 compared to 8% for the nine months ended June 30, 2016. The effective tax rates for the nine months ended June 30, 2017 and 2016 were favorably impacted by the lower tax rate in the United Kingdom, the relative amounts of income/loss recognized in various jurisdictions, as well as the utilization of net operating loss carryforwards in Canada that are fully reserved with a valuation allowance. Additionally, the effective tax rates for the nine months ended June 30, 2017 and 2016 were favorably impacted by discrete items recognized, primarily related to the R&D Tax Credit in the amounts of $0.9 million and $0.8 million, respectively.

J. RESTRUCTURING AND SEPARATION COSTS

We did not incur any restructuring costs in the third quarter of Fiscal 2017. However, in the third quarter of Fiscal 2016, we incurred approximately $0.4 million of separation costs as we continued to align our workforce with future production requirements, with another approximately $0.3 million of restructuring costs related to a leased Canadian facility that we exited in the third quarter of Fiscal 2015.

For the nine months ended June 30, 2017, we incurred $0.8 million of restructuring costs as we continued to reduce our overall cost structure to better align our costs with future production requirements. For the nine months ended June 30, 2016, we incurred approximately $7.7 million due to the realignment of our senior management team and workforce reductions.

K. SUBSEQUENT EVENTS

On August 8, 2017, 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 September 13, 2017 to shareholders of record at the close of business on August 23, 2017.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

From time to time, our management or persons acting on our behalf make forward-looking statements to inform existing and potential shareholders about our Company. These statements may include projections and estimates concerning the timing and success of specific projects and our future backlog, revenues, income, acquisitions and capital spending. Forward-looking

statements 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:

- Due to the cyclical nature of the oil and gas industry, our business may be adversely impacted by extended periods of low oil or gas prices or unsuccessful exploration efforts which may decrease our customers' spending and therefore our results in the future.
- Economic uncertainty and financial market conditions may impact our customer base, suppliers and backlog.
- Our stock price could decline or fluctuate significantly due to unforeseen circumstances. These fluctuations may cause our stockholders to incur losses.
- Our backlog is subject to unexpected adjustments and cancellations and, therefore, may not be a reliable indicator of our future earnings.
- The use of percentage-of-completion accounting on our fixed-price contracts could result in volatility in our results of operations.
- The majority 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 materially impact our ability to meet commitments to our customers.
- Our industry is highly competitive.
- Our operations could be adversely impacted by the effects of government regulations, including regulations related to conflict minerals.
- Changes in tax laws and regulations may change our effective tax rate and could have a material effect on our financial results.
- 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.
- Our operating results may vary significantly from quarter to quarter.
- The departure of key personnel could disrupt our business
- Our business requires skilled labor and we may be unable to attract and retain qualified employees.
- Actual and potential claims, lawsuits and proceedings could ultimately reduce our profitability and liquidity and weaken our financial condition.
- Quality problems with our products could harm our reputation and erode our competitive position.
- 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.
- We carry insurance against many potential liabilities, but our management of risk may leave us exposed to unidentified or unanticipated risks.
- Changes in and compliance with environmental laws could adversely impact our financial results.
- Technological innovations by competitors may make existing products and production methods obsolete.
- Catastrophic events could disrupt our business.
- Unforeseen difficulties with expansions, relocations or consolidations of existing facilities could adversely affect our operations.

- Acquisitions involve a number of risks.

We believe the items we have outlined above are important factors that could cause estimates included in our financial statements to differ materially from actual results and those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf. We have discussed these factors in more detail in our Annual Report on Form 10-K for the year ended September 30, 2016. 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, 2016 which was filed with the Securities and Exchange Commission (SEC) on December 7, 2016 and is available on the SEC's website at www.sec.gov.

Overview

We develop, design, manufacture and service custom-engineered equipment and systems for the distribution, control and monitoring of electrical energy. Headquartered in Houston, Texas, we serve the oil and gas refining, offshore oil and gas production, petrochemical, pipeline, terminal, mining and metals, light rail traction power, electric utility, pulp and paper and other 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 that 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 the 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. Due to the significant decline in oil and gas prices from late 2014 levels, many of our customers have reduced their capital budgets and cut costs, and in certain instances have delayed or cancelled projects that we were pursuing. As a result, our project backlog has declined, and may continue to decline, which may further negatively impact our operations. In response to our reduced project backlog and the challenging market outlook in our core oil, gas and petrochemical markets, we took steps in Fiscal 2016, and have taken additional actions in Fiscal 2017, to reduce our overall cost structure and better align our costs with future production requirements.

Results of Operations

Quarter Ended June 30, 2017 Compared to the Quarter Ended June 30, 2016 (Unaudited)

Revenue and Gross Profit

Revenues decreased by 35%, or $47.3 million, to $85.9 million in the third quarter of Fiscal 2017, compared to the third quarter of Fiscal 2016, primarily due to the continued decrease in our project backlog as we complete existing projects and continue to see lower demand from our customers in our core oil, gas and petrochemical markets. Domestic revenues decreased by 41%, or $38.9 million, to $55.1 million in the third quarter of Fiscal 2017, compared to the third quarter of Fiscal 2016, and international revenues decreased by 21%, or $8.4 million, to $30.8 million in the third quarter of Fiscal 2017, compared to the third quarter of Fiscal 2016. This reduction in geographic revenues year over year was driven by the decline in our project backlog mentioned above. Revenues from commercial and industrial customers decreased by 52%, or $51.7 million, to $48.0 million in the third quarter of Fiscal 2017, compared to the third quarter of Fiscal 2016, primarily due to lower demand in our core oil, gas and petrochemical markets. Revenues from public and private utilities increased by 25%, or $5.7 million, to $28.5 million in the third quarter of Fiscal 2017, compared to the third quarter of Fiscal 2016. Revenues from municipal and transit projects decreased by 12%, or $1.2 million, to $9.5 million in the third quarter of Fiscal 2017, compared to the third quarter of Fiscal 2016. The decrease in municipal and transit revenues is primarily due to the timing of projects.

Gross profit for the third quarter of Fiscal 2017 decreased by 67%, or $18.2 million, to $9.1 million, compared to the third quarter of Fiscal 2016, primarily due to lower revenues resulting in underutilization of our manufacturing facilities and increased market price pressures. Gross profit as a percentage of revenues decreased to 11% in the third quarter of Fiscal 2017, compared to 20% in the third quarter of Fiscal 2016 due to the reduction in revenues, underutilization of our manufacturing facilities and market price pressures, partially offset by favorable project execution. However, we continue to see improvement in gross profit margins from project execution as we close out certain projects resulting in changes in contract estimates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 24%, or $4.6 million, to $14.8 million during the third quarter of Fiscal 2017, compared to the third quarter of Fiscal 2016, primarily due to the cost reduction efforts we took in Fiscal 2016 in response to our adverse market outlook and lower incentive compensation expenses. Selling, general and administrative expenses, as a

percentage of revenues, increased to 17% during the third quarter of Fiscal 2017, compared to 15% during the third quarter of Fiscal 2016, primarily due to the reduction in revenue quarter over quarter.

Restructuring and Separation Costs

We did not incur any restructuring costs in the third quarter of Fiscal 2017. However, in the third quarter of Fiscal 2016, we incurred approximately $0.4 million of separation costs as we continued to align our workforce with future production requirements, with another approximately $0.3 million of restructuring costs related to a leased Canadian facility that we exited in the third quarter of Fiscal 2015.

Income Tax Provision (Benefit)

We recorded an income tax benefit of $3.7 million in the third quarter of Fiscal 2017, compared to an income tax provision of $1.2 million in the third quarter of Fiscal 2016. The effective tax rate for the third quarter of Fiscal 2017 was 53% compared to an effective tax rate of 19% in the third quarter of Fiscal 2016. The effective tax rates for the third quarter of Fiscal 2017 and 2016 were favorably impacted by the utilization of net operating loss carryforwards in Canada that are fully reserved with a valuation allowance. In addition, the effective tax rate for the third quarter of Fiscal 2017 was favorably impacted by discrete items recognized during the quarter, primarily related to the Research and Development Tax Credit (R&D Tax Credit).

Net income (Loss)

In the third quarter of Fiscal 2017, we recorded a loss of $3.2 million, or $0.28 per diluted share compared to income of $4.9 million, or $0.43 per diluted share, in the third quarter of Fiscal 2016. The reduction in revenue and gross profit compared to the third quarter of Fiscal 2016 was due to a decline in project backlog due to weak market conditions and competitive pricing pressures, primarily in our core oil, gas and petrochemical markets.

Backlog

The order backlog at June 30, 2017 was $232.9 million, which declined from $291.4 million at September 30, 2016. New orders increased during the third quarter of Fiscal 2017 to $90.7 million, compared to $88.1 million in the third quarter of Fiscal 2016.

Nine Months Ended June 30, 2017 Compared to the Nine Months Ended June 30, 2016 (Unaudited)

Revenue and Gross Profit

Revenues decreased by 31% or $134.5 million, to $300.9 million for the nine months ended June 30, 2017, compared to the nine months ended June 30, 2016, primarily due to the continued decrease in our project backlog as we complete existing projects and continue to see lower demand from our customers in our core oil, gas and petrochemical markets. Domestic revenues decreased by 29%, or $89.9 million, to $216.3 million for the nine months ended June 30, 2017, compared to the nine months ended June 30, 2016, and international revenues decreased by 34% or $44.6 million, to $84.7 million for the nine months ended June 30, 2017, compared to the nine months ended June 30, 2016. This reduction in geographic revenues year over year was driven by the decline in our project backlog mentioned above. Revenues from commercial and industrial customers decreased by 42%, or $137.3 million, to $190.6 million for the nine months ended June 30, 2017, compared to the nine months ended June 30, 2016, primarily due to lower demand in our core oil, gas and petrochemical markets. Revenues from public and private utilities decreased by 22%, or $16.9 million, to $61.0 million for the nine months ended June 30, 2017, compared to the nine months ended June 30, 2016. The decrease in utility revenues was primarily due to the timing of projects. Revenues from municipal and transit projects increased by 67%, or $19.7 million, to $49.4 million for the nine months ended June 30, 2017, compared to the nine months ended June 30, 2016.

Gross profit for the nine months ended June 30, 2017 decreased by 50%, or $40.7 million, to $39.9 million, compared to the nine months ended June 30, 2016, primarily due to the decrease in revenues. Gross profit as a percentage of revenues decreased to 13% for the nine months ended June 30, 2017, compared to 18% for the nine months ended June 30, 2016. We continue to see improvements in gross profit margins from our Canadian operations and from project execution as we close out certain projects resulting in changes in contract estimates. Margins continued to be negatively impacted by our reduced volume as a result of weak oil and gas market conditions, competitive pricing pressures and increased volume from our municipal transit projects, which typically have lower margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 20%, or $11.3 million, to $46.5 million for the nine months ended June 30, 2017, compared to the nine months ended June 30, 2016, primarily due to the cost reduction efforts we took in Fiscal 2016 in response to our reduced project backlog and adverse market outlook and reductions in incentive compensation. Selling, general and administrative expenses, as a percentage of revenues, increased to 15% for the nine months ended June 30, 2017, compared to 13% for the nine months ended June 30, 2016, primarily due to the reduction in revenue discussed above.

Restructuring and Separation Costs

For the nine months ended June 30, 2017, we incurred $0.8 million in restructuring and separation costs as we continue to reduce our overall cost structure to better align our costs with future production requirements. For the nine months ended June 30, 2016, we incurred $7.7 million of separation costs due to the realignment of our senior management team and workforce reductions.

Income Tax Benefit

We recorded an income tax benefit of $6.5 million for the nine months ended June 30, 2017, compared to an income tax provision of $0.8 million for the nine months ended June 30, 2016. The effective tax rate for the nine months ended June 30, 2017 was 60% compared to 8% for nine months ended June 30, 2016. The effective tax rates for the nine months ended June 30, 2017 and 2016 were favorably impacted by the lower tax rate in the United Kingdom, the relative amounts of income/loss recognized in various jurisdictions, as well as the utilization of net operating loss carryforwards in Canada that are fully reserved with a valuation allowance. Additionally, the effective tax rates for the nine months ended June 30, 2017 and 2016 were favorably impacted by discrete items recognized, primarily related to the R&D Tax Credit in the amounts of $0.9 million and $0.8 million, respectively.

Net income (Loss)

For the nine months ended June 30, 2017, we recorded a loss of $4.3 million, or $0.38 per diluted share compared to income of $10.0 million, or $0.87 per diluted share, for the nine months ended June 30, 2016. The reduction in revenue and gross profit compared to the nine months ended June 30, 2016 was due to a decline in our project backlog due to depressed market conditions and competitive pricing pressures, primarily in our core oil, gas and petrochemical markets.

Backlog

The order backlog at June 30, 2017 was $232.9 million, which declined from $291.4 million at September 30, 2016. New orders declined during the nine months ended June 30, 2017 to $243.5 million, compared to $306.7 million for the nine months ended June 30, 2016, primarily due to lower demand from our customers in our core oil, gas and petrochemical markets.

Liquidity and Capital Resources

As of June 30, 2017, current assets exceeded current liabilities by 2.9 times and our debt to total capitalization was 0.61%.

Cash, cash equivalents and short-term investments decreased to $87.8 million at June 30, 2017, compared to $97.7 million at September 30, 2016. In addition, at June 30, 2017, we had cash of $25.3 million held in a pledged collateral account related to our amended credit agreement. As of September 30, 2016, we did not have any cash balances classified as restricted. For further information regarding this amended credit agreement, see Note E of Notes to Condensed Consolidated Financial Statements.

We have a $75.0 million revolving credit facility in the U.S. As of June 30, 2017, there were no amounts borrowed under this line of credit. Total letters of credit outstanding under our U.S. credit facility, which reduce our availability, were $24.6 million at June 30, 2017 and $26.8 million at September 30, 2016. The amount available under the U.S. revolving credit facility at June 30, 2017 was $50.4 million. Total long-term debt, including current maturities, totaled $2.0 million at June 30, 2017, compared to $2.4 million at September 30, 2016. For further information regarding our debt, see Notes E and F of Notes to Condensed Consolidated Financial Statements.

Approximately $33 million of our cash and short-term investments at June 30, 2017 was held outside of the United States for international operations. It is our intention to indefinitely reinvest all current and future foreign earnings internationally in order to ensure sufficient working capital 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., under current tax laws we would incur additional tax expense upon such repatriation.

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

Operating Activities

Cash provided by operating activities decreased to $27.1 million for the nine months ended June 30, 2017, compared to cash provided by operating activities of $61.8 million during the same period in Fiscal 2016. This decrease in operating cash flow in the nine months ended June 30, 2017 was primarily from the reduction in earnings year over year, partially offset by reductions in accounts receivable and project billings due to lower project activity. Cash flow from operations is primarily influenced by the timing of milestone payments from our customers and the payment terms with our suppliers.

Investing Activities

Net cash used in investing activities during the nine months ended June 30, 2017 totaled $83.2 million compared to $1.9 million during the same period in Fiscal 2016. For the nine months ended June 30, 2017, our net short-term investment activity was $55.4 million and we spent approximately $2.5 million on purchases of plant improvements and equipment. Additionally, we transferred approximately $25 million to restricted cash as it is pledged to secure 102% of our outstanding letters of credit under our U.S. revolving credit facility.

Financing Activities

Net cash used in financing activities was $9.7 million for the nine months ended June 30, 2017 and $14.0 million during the same period in Fiscal 2016. This reduction was primarily due to the completion of our share repurchase program in December 2015 discussed below.

Share Repurchase Program

On December 17, 2014, our Board of Directors authorized a share repurchase program which allowed us to repurchase up to $25 million of our outstanding stock. The purchases were made from time to time in the open market through Rule 10b5-1 trading plans in accordance with applicable laws, rules and regulations. The repurchase of shares was funded from cash on hand and cash provided by operating activities. The Repurchase Program expired on December 31, 2015. As of December 31, 2015, we had purchased 806,018 shares at an aggregate cost of $25 million under the Repurchase Program. The average purchase price per share since inception of the program was $31.02.

New Accounting Standards

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

Critical Accounting Policies

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

There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended September 30, 2016.

Outlook

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 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. Projects typically take a number of months to produce, and schedules may change during the course of any particular project.

A significant portion of our revenues have historically been from the oil, gas and petrochemical markets. Unfavorable oil and gas commodity price levels have caused, and may continue to cause, our customers to change their investment strategies or delay or cancel planned projects. The reduction in available projects across the markets we serve has increased price pressures during this downward market cycle. This reduction in new business opportunities and increased market price pressures have impacted, and will continue to negatively impact, our backlog, revenues and operating results. It is difficult to predict the duration of the current depressed market cycle.

Our operating results have been, and may continue to be, negatively 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 have and may continue to have, a negative impact on 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 and negatively impact our ability to cover our fixed costs. If our core oil, gas and petrochemical markets remain depressed, or decline further, our project backlog could continue to decline and negatively impact our operations. In response to our reduced project backlog and depressed market outlook, we took steps in Fiscal 2016, and have taken additional actions in Fiscal 2017, to reduce our overall cost structure and better align our costs with future production requirements. We continue to assess our cost structure, operating performance and service offerings as the oil, gas and petrochemical markets remain challenging and uncertain. However, these actions will not be sufficient to avoid operating losses in the near-term and we expect to report a net loss in Fiscal 2017.

We believe that our strong working capital position, cash available, low debt position and borrowing capacity under our existing credit facility should be sufficient to finance future operating activities, research and development initiatives, capital improvements and debt repayments for the foreseeable future. We continue to monitor the factors that drive our markets and will continue to strive to maintain our leadership and competitive advantage in the markets we serve while aligning our cost structures with market conditions.

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

We are exposed to certain market risks arising from transactions we have entered into in the normal course of business. These risks primarily relate to fluctuations in market conditions, commodity prices, foreign exchange rates 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 and their industries are typically engineering, procurement and construction firms, oil and gas refining, offshore oil and gas production, petrochemical, pipeline, terminal, mining and metals, light rail traction power, electric utility, pulp and paper and other heavy industrial customers. We maintain ongoing discussions with customers regarding contract status with respect to payment status, change orders and billing terms in an effort to monitor collections of amounts billed.

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 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 operations that expose us to currency risk in the British Pound Sterling, the Canadian Dollar and to a lesser extent the Euro. Amounts invested in our foreign operations are translated into U.S. Dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as accumulated other comprehensive income (loss), a component of stockholders' equity in our 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 obligations in their respective currencies or U.S. Dollars. Additionally, expenses associated with these transactions are generally contracted and paid for in the same local currencies. For the nine months ended June 30, 2017, our realized foreign exchange gains were $0.3 million and are 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 $22.6 million as of June 30, 2017, a decrease of $1.1 million compared to September 30, 2016. 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 currently hedge our exposure to potential foreign currency translation adjustments.

Interest Rate Risk

If we decide to borrow under our credit facility, 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 have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

We are involved in various legal proceedings, claims and other disputes arising 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 are no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

Item 6. *Exhibits*

Number		Description of Exhibits
3.1	—	Certificate of Incorporation of Powell Industries, Inc. filed with the Secretary of State of the State of Delaware on February 11, 2004 (filed as Exhibit 3.1 to our Form 8-A/A filed November 1, 2004, and incorporated herein by reference).
3.2	—	Amended and Restated Bylaws of Powell Industries, Inc. (filed as Exhibit 3.1 to our Form 8-K filed October 12, 2012, and incorporated herein by reference).
10.1	—	Third Amendment to Credit Agreement, dated June 27, 2017, between Powell Industries, Inc., the subsidiaries of Powell named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C issuer and the Lenders party thereto (filed as Exhibit 10.1 to our Form 8-K filed June 30, 2017 and incorporated herein by reference).
*31.1	—	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	—	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
*32.1	—	Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	—	Certification of Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	—	XBRL Instance Document
*101.SCH	—	XBRL Taxonomy Extension Schema Document
*101.CAL	—	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	—	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

SIGNATURES

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

POWELL INDUSTRIES, INC.
(Registrant)

Date: August 9, 2017

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

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

EXHIBIT INDEX

Number		Exhibit Title
3.1	—	Certificate of Incorporation of Powell Industries, Inc. filed with the Secretary of State of the State of Delaware on February 11, 2004 (filed as Exhibit 3.1 to our Form 8-A/A filed November 1, 2004, and incorporated herein by reference).
3.2	—	Amended and Restated Bylaws of Powell Industries, Inc. (filed as Exhibit 3.1 to our Form 8-K filed October 12, 2012, and incorporated herein by reference).
10.1	—	Third Amendment to Credit Agreement, dated June 27, 2017, between Powell Industries, Inc., the subsidiaries of Powell named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C issuer and the Lenders party thereto (filed as Exhibit 10.1 to our Form 8-K filed June 30, 2017 and incorporated herein by reference).
*31.1	—	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	—	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
*32.1	—	Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	—	Certification of Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	—	XBRL Instance Document
*101.SCH	—	XBRL Taxonomy Extension Schema Document
*101.CAL	—	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	—	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

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: August 9, 2017

EXHIBIT 31.2

CERTIFICATION

I, Don R. Madison, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2017

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 June 30, 2017, 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: August 9, 2017

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 June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Don R. Madison, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Don R. Madison
Don R. Madison
Executive Vice President
Chief Financial and Administrative Officer

Date: August 9, 2017