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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the MYR Group Incorporated First Quarter 2017 Conference Call. (Operator Instructions) As a reminder, this conference call may be recorded.

I would now like to turn the conference over to Kristine Walczak of Dresner. You may begin.

Kristine Walczak - *Dresner Corporate Services, Inc. - SVP of IR*

Thank you, and good morning, everyone. I'd like to welcome you to the MYR Group conference call to discuss the company's first quarter results for 2017, which were reported yesterday. Joining us on today's call are Rick Swartz, President and Chief Executive Officer; Betty Johnson, Senior Vice President, Chief Financial Officer and Treasurer; Tod Cooper, Senior Vice President and Chief Operating Officer of MYR Group's Transmission and Distribution, or T&D segment; and Jeff Waneka, Senior Vice President and Chief Operating Officer at MYR Group's Commercial and Industrial, or C&I segment.

If you did not receive yesterday's press release, please contact Dresner Corporate Services at (312) 726-3600 and we will send you a copy, or go to MYR's website where a copy is available under the Investor Relations tab. Also, a replay of today's call will be available until Wednesday, May 10, 2017, at 11:59 p.m. Eastern Time by dialing (855) 859-2056 or (404) 537-3406 and entering conference ID 5308077.

Before we begin, I want to remind you this discussion may contain forward-looking statements. Any such statements are based upon information available to MYR management as of this date, and MYR assumes no obligation to update any such forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements.

Accordingly, these statements are no guarantee of future performance. These risks and uncertainties are discussed in the company's annual report on Form 10-K for the year ended December 31, 2016, the company's quarterly report on Form 10-Q for the first quarter of 2017 and in yesterday's press release. Certain non-GAAP financial information will be discussed on the call today. A reconciliation of this non-GAAP information to the most comparable GAAP measure is set forth in yesterday's press release.

With that said, let me turn the call over to Rick Swartz.

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Thanks, Kristine. Good morning, everyone. Welcome to our first quarter 2017 conference call to discuss our financial and operational results. I will begin by providing a brief summary of the first quarter results and then turn the call over to Betty Johnson, our Chief Financial Officer, for a more detailed financial review. Following Betty's discussion, Tod Cooper and Jeff Waneka, Chief Operating Officers for our T&D and C&I segments, will provide an industry outlook and discuss some of MYR Group's opportunities going forward. I will then conclude with some closing remarks and open the call up for your comments and questions.

As you saw in our press release, MYR Group's revenue increased 18.3% for the first quarter of 2017, when compared to the first quarter of 2016. However, our gross profit and net income were down compared to the same quarter last year. In a number of geographic areas, equipment utilization and productivity were negatively impacted by weather and the timing and sequencing of small- to medium-sized projects.

Margin was also negatively impacted by slower than expected ramp-up of work associated with certain growth initiatives. While the workforce in these new areas is improving, we did experience some productivity issues initially, as we brought on board new people and instituted new processes.

While we're not satisfied with our first quarter performance, we expect improved performance throughout the remainder of 2017 due to our healthy backlog, the steady bidding climate in both our T&D and C&I market segments and a variety of viable project opportunities in new and existing markets. We also remain focused on strong project execution and a disciplined approach in our bidding activity.

MYR's backlog at the end of the first quarter of $660.9 million declined slightly from our record backlog of $688.8 million in the fourth quarter of 2016, a decrease of 4.1%. However, year-over-year, our backlog grew 52% in the first quarter of 2017 compared to the first quarter of 2016. Throughout the first quarter, we identified attractive opportunities that should allow us to further expand the breadth and depth of our offerings in new and existing territories.

We progressed in our efforts to integrate Western Pacific Enterprises into the MYR Group of companies and are excited about the value this acquisition brings as we work to expand our T&D and C&I service offerings in Western and Central Canada.

Looking ahead, we remain optimistic as the market outlook remains strong throughout this year and into next. And we believe we are well positioned to win our share of project opportunities in both our T&D and C&I market segments.

Industry activity and trends continue to point to continued investments in electrical infrastructure, which supports the ongoing execution of our 3-pronged strategy of prudent capital allocation for acquisitions, organic growth and return of capital to our stockholders. We also believe our commitments to developing skilled teams, working safely, investing in needed resources, expanding our client base, strengthening existing relationships and maintaining a solid financial position will lay the foundation for future growth and allow us to deliver strong returns to our stockholders.

Now Betty will provide us financial results for the first quarter of 2017.

Betty R. Johnson - *MYR Group Inc. - CFO, SVP and Treasurer*

Thank you, Rick, and good morning, everyone. Our first quarter 2017 revenues were $300.1 million, which represents an increase of $46.5 million or 18.3% compared to the same period of last year. The increase was primarily due to higher C&I revenues in our new markets, including those related to the Western Pacific Enterprises acquisition and our established C&I market. Additionally, T&D revenues increased primarily due to the higher distribution revenues. T&D revenues were $195.7 million, an increase of $12.7 million or 7% compared to the same period last year. The breakdown of T&D revenues was $141.4 million for transmission and $54.3 million for distribution.

C&I revenues reached a record high at $104.4 million, an increase of $33.7 million or 47.7% compared to the same period last year.

Our overall gross profit was $25.7 million compared to $27.3 million in the first quarter of 2016. The decrease in gross profit was primarily due to lower overall gross margins, partially offset by higher revenue.

Our gross margin was 8.6% in the first quarter of 2017 compared to 10.8% in the same period last year. The decrease in gross margin was largely due to declines in efficiency due to weather impacts in many of our markets and a higher mix of for smaller, shorter duration T&D work. The shift in the mix of work duration also caused a decline in our fleet utilization and increased mobilization and demobilization costs. These impacts were partially offset by settlements related to previously unrecognized revenue on a project claim and pending change orders. Changes in our estimates of gross profit on certain projects resulted in a gross margin increase of 40 basis points in the first quarter of 2017 compared to a decrease of 60 basis points in the first quarter of 2016.

SG&A expenses were $25.8 million compared to $23.9 million in the first quarter of 2016. The $1.9 million increase was primarily due to $2.3 million of costs associated with our expansion into new geographic markets, and higher payroll costs to support operations, partially offset by lower bonus and profit-sharing costs. Additionally, $1 million of costs associated with activist investor activities were incurred in the first quarter of 2016. SG&A as a percentage of revenue decreased to 8.6% for the first quarter of 2017 from 9.4% for the first quarter of 2016.

As previously discussed, on October 28, we completed the acquisition of substantially all the assets of Western Pacific Enterprises. The purchase agreement also included contingent consideration provisions for margin guarantee adjustments, which are based upon the performance of certain contracts subsequent to the acquisition. During the first quarter of 2017, we recorded other income of approximately $900,000 related to this margin guarantee adjustments on certain contracts.

We had an income tax benefit of $400,000 in the first quarter of 2017 compared to an income tax provision of $1.2 million in the same period of last year. The tax benefit in the first quarter of 2017 represented 42.7% pretax income compared to an effective tax rate of 38.6% in the first quarter of 2016. The tax benefit was caused by excess tax benefits of approximately $800,000 pertaining to the vesting of stock awards and the exercise of stock options. Due to our adoption of accounting standards update #2016-09 these excess tax benefits from stock compensation are no longer recorded to additional paid in capital, rather they are included in our current tax provision as a discrete item.

Net income was $1.2 million or $0.07 per diluted share, compared to $2 million or $0.10 per diluted share in the first quarter of 2016. EBITDA was $11.1 million compared to $13.3 million in the first quarter of 2016. EBITDA per share was $0.67 per diluted share compared to $0.68 per diluted share in the first quarter of 2016.

Turning to the March 31, 2017, balance sheet. We had approximately $6.9 million of cash and cash equivalents, $39.6 million of funded debt and $186.7 million in availability under our credit facility. As of March 31, 2017, we had working capital of $108 million, which was a slight increase from the first quarter of 2016.

In conclusion, we had a challenging start to 2017. We believe that we have adequate capital and borrowing capacities going forward to support our working capital needs, funding requirements, equipment investments and future growth.

I'll now turn the call over to Tod and Jeff, who will provide an overall industry outlook and a view of MYR Group's opportunities.

Tod M. Cooper - *MYR Group Inc. - COO of Transmission & Distribution and SVP*

Thanks, Betty, and good morning, everyone. As Rick stated, our first quarter T&D performance in several areas of the country was negatively impacted by weather, as well as finding and sequencing of small- to medium-size projects.

Periods of mild conditions throughout the quarter caused multiple freeze and thaw cycles on several projects. These changing conditions resulted in lower than anticipated productivity, as well as increased access in write-away restoration costs. We also experienced slower than expected ramp-ups on work in the West. This impacted results as we were not able to cover all overhead costs established to win and execute projects. As ramp-ups continue, we anticipate the gap between investment and return to narrow.

Bidding and project activity in Transmission and Distribution is off to a solid start in 2017. And our backlog remains at steady levels. We see strong activity in the markets we traditionally serve,and remain focused on expansion into both existing and new geographic areas. We are encouraged by market trends for the remainder of 2017 and into 2018, pointing to a steady bidding environment for Transmission and Distribution projects of all types and sizes.

A number of industry headlines in the first quarter indicate ongoing levels of significant transmission investment. For example, the regional grid operator PJM approved more than $1.5 billion in new transmission projects, which include a number of large and midsize projects to upgrade the aging infrastructure in the region. Part of that spend will be a $900 million investment by Public Service Electric and Gas, New Jersey's largest electric utility. Our ongoing work in the region bodes well for our eastern operations as opportunities come to market.

Along with the PJM announcement, the Midwest regional grid operator, MISO, announced that 383 transmission projects valued at $2.7 billion will have been approved by its board or have been approved by its board. These projects include regional upgrades to existing transmission lines along with new lines to relieve congestion and deliver renewable energy resources. This will provide opportunities for MYR as we're well positioned within MISO's footprint with a strong operational presence, as well as relationships and experience with utility clients throughout the region.

In addition to improved plans by these regional grid operators during the first quarter, several of our utility clients also made announcements of current and future capital investments during the first quarter.

Xcel Energy pronounced plans to make the largest multistate investment in wind capacity in the U.S., proposing 11 new wind farms in 7 states, which would add 3,380 megawatts of new wind generation to its system. These wind investments are part of Xcel Energy's Colorado, New Mexico and Texas markets, as well as the Upper Midwest.

MYR Group subsidiaries have a long track record of constructing substations and transmission lines throughout these areas, and we believe the uptick in wind projects over the next several years will translate to a number of new opportunities. FirstEnergy also announced planned investments of approximately $975 million in infrastructure projects to enhance and strengthen its system. These investments are targeted for its operating units primarily based at Pennsylvania. Our established experience and strong presence throughout Pennsylvania should help us to capture our share of these opportunities.

Moreover, in the first quarter, Alliant Energy also stated that its updated capital expenditure plan includes up to $5.6 billion between 2017 and 2020 on a wide range of capital projects, including grid modernization, improvements to its generation fleet and new investments in wind and solar projects.

One of our largest clients over the past several years, ITC Holdings, announced through its new ownership company, Fortis, that it expects to invest $3 billion in 2017, which will include its MVP projects in the Midwest.

Eversource, another MYR Group client, which serves customers in the Northeast, announced plans to invest further in its transmission assets. Eversource's capital budget of $2.71 billion for 2017 is slightly ahead of its 2016 budget and includes $950 million in transmission investments for 2017.

We believe these planned current and future capital investments by our utility clients indicate a strong bidding environment for transmission and distribution projects.

In addition to major investments announced in utilities and regional grid operators, we track larger transmission projects that are proceeding through the regulatory and permitting processes. And we're pleased to see progress on these projects move to the construction phase.

Recently Pattern Energy announced that its proposed Southern Cross transmission project could generate $3.9 billion in direct and indirect economic benefits to the surrounding region. The 500 kV transmission line intended to bring wind power to the Southeastern United States is planned to begin in Eastern Texas and terminate near the border of Alabama and Mississippi. We believe the studies like the one released by Pattern point to a positive benefit for these major transmission projects -- positive benefit that these major transmission projects can have on multiple areas of the country.

In March, National Grid announced their proposal for the Granite State Power Link, a 170-mile transmission line that would extend from Vermont to New Hampshire and deliver up to 1,200 megawatts of clean energy to their customers. This project, which is planned to be serviced -- to be in service by the end of 2022 offers MYR Group another great bidding opportunity, as we have a long track record of building transmission lines throughout the Northeast.

On the distribution front, growth and demand for our services remains steady in a wide range of regions throughout the U.S. Improved economy, utility investments in technology and a strong housing market translate to needs for new systems, upgrades and expansions. We continue to perform a significant amount of distribution work under a number of multiyear contracts and alliance agreements and anticipate a strong market into the foreseeable future.

In summary, our current project activity and industry developments provide a solid foundation for our continued growth as one of the few contractors with the expertise, resources and financial strength necessary to build North America's most challenging electrical infrastructure projects. While timing of project development is variable, we look forward to pursuing and securing projects of all sizes in 2017, as we expect these investments will continue to be driven by the need to increase bid reliability, replace aging infrastructure, relieve congestion and deliver new generation resources.

I'll now turn the call over to Jeff Waneka, who will provide an overview of our Commercial and Industrial segment.

Jeffrey J. Waneka - *MYR Group Inc. - COO of Commercial & Industrial and SVP*

Thanks, Tod, and good morning, everyone. Thanks, everyone, for your time today. Activity in our C&I segment remained consistent throughout the first quarter, with all divisions experiencing steady bidding activity and encouraging communication about future prospects.

In February, new design contracts at architectural firms posted their largest monthly gain in over 2 years, according to the American Institute of Architects. At MYR, we believe this outlook speaks positively to the potential we see for C&I growth in 2017.

(inaudible) markets, California and Washington announcements on new infrastructure spending bode well for continued growth. California's governor recently signed landmark legislation titled "The Road Repair and Accountability Act of 2017," which invests more than $5 billion a year over the next 10 years on road repairs, safety projects and transit upgrades. This legislation is in addition to Measure M passed by California voters in November, collecting another $0.05 sales tax for the Los Angeles County traffic improvement plan. This funding will be used to expand bus and light rail systems, while also delivering highway improvements to ease congestion.

Also last November, Seattle area voters approved $54 billion Sound Transit 3 proposition, which adds rapid bus service lanes and 64 miles of light rail to the region's transportation network. While the timing and value of awards will vary, these major funding decisions along the West Coast continue to bolster our confidence in our investment in this region.

Today, our transportation experts are engaged in significant design-built pursuits in Vancouver, Washington, California and Colorado. In the first quarter, we captured new work on transportation projects in both Colorado and Arizona that represent the new era of advanced technology and sophisticated communication systems, which we are well suited to deliver.

We believe our proven experience with this type of intelligent highway technology makes our resume particularly attractive to clients as one of a few select contractors with this expertise.

In our high-tech group, data center projects throughout the Western U.S. are in a state of rapid growth and expansion, and we expect to see several opportunities due to our established client relationships and specialized expertise.

For instance, in the first quarter, we mobilized crews on Phase 2 of the Apple Tilden Data Center in Phoenix, and anticipate additional opportunity for Phase 3 scheduled to procure in 2017. In Colorado, announcements by JPMorgan and other notable data center clients, give confidence to our forecast that greenfield and retrofit projects are on the horizon, increasing our opportunity throughout 2017.

High-tech manufacturing continues to build momentum in 2017. The most notable project -- most notable potential project is a $7 billion investment by a large semiconductor manufacturer on an existing fab plant in Arizona. MYR has crews at this site performing discovery and makeready scopes of work, while procurement efforts continue with key general contractors. And in Colorado, we are pursuing a large-scale aerospace manufacturing plant that is expected to be awarded in the second quarter.

Health care work shows no signs of slowing down. Several new project opportunities have been announced, and multiple facilities are undergoing expansion and renovation. This includes the recent award of another expansion on the Eastern Maine Medical Center in Bangor, Maine. Our depth of experience in this sector, combined now with Western Pacific Enterprise's vast health care experience, positions us well for new project awards in 2017.

Additional opportunities that suit our expertise include new aviation projects as airport -- major airports announce plans to enhance the traveler experience and increase airfield operations. We're also seeing new water treatment and water storage projects in a number of our regions planned for release in 2017, as well as several gaming and entertainment-oriented projects throughout Nevada and our other target markets.

Looking ahead, we expect strong growth to continue in our new and established markets. We expect that our core competencies in health care, data center, commercial, industrial, aviation, transportation and manufacturing facilities will help us capture our share of these opportunities across the country. We will prepare by staying abreast of emerging markets and new technologies, and refine our expertise to solidify our industry reputation as one of the few contractors with the abilities necessary for these highly complex endeavors.

I'll now turn the call back over to Rick, who will provide us with some closing comments

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Richard S. Swartz - *MYR Group Inc. - CEO and President*

Thank you for those updates, Betty, Tod and Jeff. Although we're not satisfied with our results in the first quarter, we expect improved performance throughout the remainder of the year. We believe we are beginning to recognize the benefits of our efforts to strengthen our position in the marketplace.

Moving forward, we believe that expanding organically and through acquisitions, refining our capabilities and maintaining our operational reputation and financial strength will remain the key factors that positions MYR Group for ongoing success.

On behalf of Betty, Tod, Jeff and myself, I sincerely thank you for joining us on the call today and for your ongoing confidence in the MYR Group. I look forward to updating you on our progress next quarter.

Operator, we're now ready to open the call for comments and questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Tahira Afzal of KeyBanc Capital.

Tahira Afzal - *KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst*

I guess the first question from me is, as you look at your under-utilization, would love to get an idea of how fast that can be addressed. I assume the weather nuances go away hopefully into the second quarter. So would really like to get an idea of how we should be thinking about margins and the recovery time frame.

Richard S. Swartz - *MYR Group Inc. - CEO and President*

I'll start out and then I'll let Tod add a little bit to it, but on the weather front, we definitely hope that we don't experience in the second quarter what we experienced in the first. As Tod was saying, we had a lot of freeze-thaw cycles that side went through, which had an impact on our equipment utilization and then the start-up of the smaller and midsize and the [handiness] of the projects, there were some gaps in there. So we didn't have perfect alignment. So we definitely hope to see that improve. The market looks strong when we see the side of bids coming out. And we're positive on that. As far as the equipment utilization, we are seeing an improvement in our equipment utilization. We're seeing that trend tick up. We're definitely not at an all-time high as far as equipment utilization, but we're seeing a trend in the right direction.

Tahira Afzal - *KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst*

Great. And I mean, if I was to put all of that together, I mean, could we be sort of going back into the margin -- gross margin zone we have seen as you guys sort of showcased over the last 8 quarters or so? So could we be heading back at least in the second quarter into that 10.5% plus margin zone?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

That's our goal. I mean, it is to get back there and hopefully exceed that as time goes on. As I said, our equipment utilization isn't at high -- at our all-time high levels. So if you go back in quarters, it's not -- if you go back 3 or 4 years, it's not at that all-time high. So again, we're trending up from where we were. We also have some large -- we have a large project in Texas. We've talked about CTT that have a high material component. And that material component, as we've said before, has kind of a lower margin on that pass-through cost. There is less risk to us. There is -- it's a known entity. So that will be reflected in our margins going forward. But again, the trend should be upward. And as we said, we really forecast improved results as we trend through this year.

Operator

Our next question comes from the line of Andy Wittmann of Robert W. Baird.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I couldn't think of anything else to talk about, so I thought we'd just talk about the weather. The growth initiatives that you're talking about in terms of the electric transmission business are interesting. But can you quantify how many millions or the dollar amount that the weather may have cost you? Because it looks like the revenue was actually pretty good. So it looks like you got done with probably what you need to get done in the quarter, but it just might have cost you more. Is that the right way to think about that? And can you quantify that -- that dollar amount from the weather?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

We don't quantify the dollar amount. I mean, I think you can see it in our overall results when you compare it to last quarter. There wasn't what I'd call a shift in our work. Some of our distribution work increased, but other than that, there wasn't a big shift. The weather impacted both our utilization and our crew. So it did have an impact on our productivity. But it also had an impact overall -- on our overall margins. And I guess, we're doing everything we can to balance that. But again, district by district, we don't give that information, and we don't quantify kind of the overall equipment impact that we had. Betty, do you have anything to add on that?

Betty R. Johnson - *MYR Group Inc. - CFO, SVP and Treasurer*

No. Just -- when you're talking the jobs, also the -- write, not only productivity, but even that write-away cost, just...

Richard S. Swartz - *MYR Group Inc. - CEO and President*

The repairs and that (inaudible)

Betty R. Johnson - *MYR Group Inc. - CFO, SVP and Treasurer*

The repairs and that.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. Was there a benefit from weather in that, was there any strong work that you were able to pick up in the quarter that maybe should be called out as onetime or high profit margin work that was executed in the quarter?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Nothing that I would say would be outside of any other quarter. I mean, we always have some storm work. Again, a lot of our crews are part of the -- a lot of our clients are part of the Mutual Assistance side. So they tell us when we can be released or not. So if storms are coming into their areas, they don't always release us to go work on somebody else's property. So it's kind of where the storms are at and how that benefits us, but if we were to call that out if it was a big fat gain on this quarter.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

All right. Just this other question on those growth initiatives. You obviously made the decision over the last few years really just to organically grow greenfield operations. It sounded, Rick, like, in your commentary that you're starting to see a little bit of lift to cover those investments. Did we share that correctly? And can you just give us what your view is about how this year plays out? It felt like was it bit of a drag here in 1Q, but is there still a drag in 2Q and 3Q? Or do you start covering those, and then ultimately, getting some leverage by the end of the year?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

No, it's definitely our goal to cover that and have that uplift by the end of the year. As I said, last year, when you looked at kind of our investment, I think if you go back in some of our past commentary, we said last year that our goal was to have the majority of that overhead covered through revenue we're receiving on projects. That's still our goal this year. We continue to expand where we see opportunities and invest in those teams because some of the areas our people have talked about before in California and some of those areas, we see as rapid growth areas. But we've also got to have teams in place that can bid and execute that work. So as those projects come on board, we add people and we make the changes we need. We implement our processes and the customers' processes and procedures. It takes a little while to do that. But we do see it as still a positive market and we're not changing our plan or our direction of where we were headed.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. So certainly the goal is there to cover, but is the reality -- have you won the work? Or are you close to winning the work now to start covering it?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Yes, the work is starting to ramp up. And I would say in all the organic areas, the work is starting to ramp up. Again, as we've said in the past, the timing of the award, the size of the awards, we're not always in control of, but we are starting to receive work in all of the geographic expansion areas.

Operator

Our next question comes from line of Bobby Burleson of Canaccord.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

Just a couple of quick ones. Curious about the shift in work. And you talked about mix going to smaller shorter time frame work in the T&D segment. Has that already started to shift back to where you had expected it to be? And so you're already kind of seeing the benefit on the utilization of equipment there?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

I'd say for the last 1.5 years, we've always said on every call we've done that we see the shift going from the large project to the mid- to small-size projects. So the large projects are still out there, permitting other things or kind of delaying the award. So we still see it as a strong market for large projects. But our mix of mid- and small work, really the issue when you have that is the equipment utilization side. Those have -- you'll be pulling wire for a set amount of time, maybe 2, 3 months or 6 months, unlike a large project where we'll move on our major fleet components and have them there for 1.5 years doing the same type of work. So you see the on and off and then you see the mob and demob cost of that equipment. And that does have an impact in us -- with us. And I think we do everything we can with our clients to line up the end of one project and the beginning of another. And we try to maintain that throughout our centralized fleet and make sure we're moving equipment to try to keep it the most utilized we can. But there is points like last quarter, where we had gaps in kind of the ending of projects and the beginning of others. So our backlog remains strong, we're positive on that. We see lots of activity on the bidding side, but aligning those projects is sometimes beyond our control.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

Okay. And then in some of the organic kind of growth initiatives, headcount sounds like maybe you guys are making some changes to people. Is that because maybe you're not getting the results you were expecting, something didn't come through in terms of project awards? Or what kind of changed here in the last quarter to prompt you to make those changes?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Well, I would say we're -- as a company, we're always balancing our SG&A cost. We're always looking at our overhead expenses. And good people are moving around the country. We don't get rid of good people. But as you ramp up on certain work, and you take -- and you go into either get a project in an area or you even go into a new geographic area, you're going to be hiring people, make sure they fit your culture and your expectations. And you're going to make the changes when you need. So I wouldn't say it's something new for us. It's a continuing cycle that we do on every project we have. We just call it out that as you, especially in new geographic areas, you ramp up, you're going to be hiring people that need to fit our expectations and match them. And we're going to make the changes when we need to.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

Okay. So it sounds like your expectations weren't met and you guys are being very proactive there.

Richard S. Swartz - *MYR Group Inc. - CEO and President*

We try to be proactive. We challenge our managers to always set the expectations and hold people accountable.

Betty R. Johnson - *MYR Group Inc. - CFO, SVP and Treasurer*

And Rick, that would be not only -- that would be to office and the fields alike, right? Not just the heads that you were talking about as far as managers.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

And then just one last quick one in terms of some of the legislative -- positives that have happened; the California Transportation Bill, et cetera. Wondering timing of when you see that flowing through to your kind of bid opportunities and work opportunities. Is that sort of a late 2017 opportunity or more meaningful in 2018?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

I think on the transportation side, those -- though they've announced everything's approved, now everything is on the work on the design side. We're starting to see some activity. We're in talking to the engineering firms. And I'll turn this over to Jeff. He can add a little bit of color to it, but we're seeing them -- their ramp-up on the engineering side, on that development side. So we see some packages coming out in '17, but I'd say there's even more coming out in '18. Jeff?

Jeffrey J. Waneka - *MYR Group Inc. - COO of Commercial & Industrial and SVP*

Yes, I agree, Rick. There's potential for some 2017 spend. I think that the positive is, is that we are being looked at as a resource for the design teams to call upon to join their effort in putting these projects together, which gives us a very good opportunity to win that work. I think it's primarily going to be 2018 and beyond where most of that is going to get spent.

Operator

Our next question comes from line of Noelle Dilts of Stifel.

Noelle C. Dilts - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP and Analyst*

So when you look at the transition side of the business, given that some of these -- that there haven't been a ton of large projects in the market and that you're seeing some delay there. Is there -- have you noticed conditions or terms of pricing have gotten more competitive, as we've seen during times in the past? And can you just discuss sort of what you're seeing in terms of the competitive environment and the competitive intensity just overall on transmission, both on the large project side and the small to medium?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

I think it remains competitive on the large side. I mean, there's -- as we've always said, there's 4 or 5 players that can do the extremely large projects. We know who those are. I think everybody understands what it costs to do those jobs. So we don't quite see the pressures on that side as we see on the small- to medium-sized projects, those there continues geographically. There's some pressure in some areas. Others are -- there are very busy areas where the pricing remains high, so -- or somewhat high, but then you're competing for resources. So we try to balance that out. We try to look at it, but I've really seen no changes, I would say, from this quarter to last quarter, Noelle.

Noelle C. Dilts - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP and Analyst*

Okay. And then maybe just some updated thoughts on the Trump administration, the Clean Power Plan, thoughts around that. And how you think the absence of a Clean Power Plan might impact the industry.

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Well, there's still -- on the reliability side, on the aging infrastructure side, there is still a need to build lines. Every utility client we talk to still has that need. We've replaced lines that are almost 100 years old this last year. So there are still very old lines out there. So we see that need. As far as the Trump administration and what gets approved, we hope for positive things. We hope that side helps the permitting and that side of the projects, the clean side. I really, at this point, haven't seen any changes and it takes so long to get legislation through or changes that I think it's more from our standpoint, we continue to monitor it, but it's a wait-and-see kind of proposition.

Operator

(Operator Instructions) Our next question comes from the line of Jon Braatz of Kansas City Capital.

Jonathan Paul Braatz - *Kansas City Capital Associates - Partner and Research Analyst*

Rick, over the last 1.5 years, you've spent a lot of time and effort in some organic expansion, new offices and so on. Are you looking to add more -- add additional offices, more greenfield facilities or -- at this point? Or is it really you're going to focus on digesting and integrating and improving what you currently have?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Our primary focus is to digest, integrate and expand the ones we have today. It doesn't mean for the right opportunity that we won't expand into a new area. If a client wants to take us there, if we see a big opportunity where we can grow our business, and our people can put together a successful well-bedded business plan. I'm not -- myself or our board is not out to tell them no. But it is going to be a well-bedded business plan that allows for future long-term growth.

Jonathan Paul Braatz - *Kansas City Capital Associates - Partner and Research Analyst*

Okay. For the most part, the operations that you have opened over the last 1.5 years are the sort of the fixed costs, the overhead in place, and it's just now a matter of adding the, if you want to call, variable labor to generate the results?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Partially. I mean, it's always the balance though between having the right resources in place and when you bring on those, the manpower to actually do the work. So you're going to have an amount of overhead that it takes to get the work, you've got to continue. Then they have got to manage that work. So you're going to have to add a little more on our overhead side so that they can not only manage, but they can procure new work and expand those geographic areas, while you add the manpower to actually do the work if that makes sense.

Jonathan Paul Braatz - *Kansas City Capital Associates - Partner and Research Analyst*

Okay. Okay. And then lastly, on the C&I piece of business, the outlook looks fairly strong. What are you seeing on the pricing front? How competitive is the market? And are there certain regional markets where things are getting a little tight?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Well, we compete -- and again, I'll let Jeff add to that -- to the end of this, but we compete kind of in regional segments anyway. So we're Western United States and then E.S. Boulos in the Northeast. So those are the areas that we're in the markets currently for C&I. So when we do that, we see those as still competitive areas. We've always said that even in busy times, the C&I margins don't fluctuate like we see in the line margins. Fluctuate, it's basically the cost of entry is so much lower on the C&I component than it is for the Transmission and Distribution side. It doesn't take -- it's not as capital intensive to get into. Jeff, do you want to add the kind of the barriers you're seeing and where you see margins?

Jeffrey J. Waneka - *MYR Group Inc. - COO of Commercial & Industrial and SVP*

We are definitely seeing some areas tighten up as far as the manpower availabiity. And we hope that, that sometimes also improves our opportunity in those areas. But it is region-by-region and area-by-area, and it also depends on what type of project that we're pursuing at the time as to what our ability is to leverage better margins.

Operator

And our next question comes from the line of Andy Wittmann of Robert W. Baird.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

There are some sizable merchant T&D lines that are out there. Sizable enough that, I don't know, maybe they could probably use several contractors on them. While the timing on some of them is kind of uncertain, they seem to be getting closer to happening. I was just wondering if you could ever roll on some of those merchant line?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Yes. We're actively pursuing those and chasing those same projects. As you said, some of them are large and could have multiple contractors on them. Some could be teaming arrangements with other contractors. So I would say, we're looking at every variable on those projects and they're on our list. And we've got a marketing and operational team chasing those projects every day.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Some of those have actually got some kind of handshakes, if they don't have a contract because they don't have a final investment decision yet. Would you -- are the discussions advanced enough for you to say that you will or -- you have high confidence that you can have a role on some of those?

Richard S. Swartz - *MYR Group Inc. - CEO and President*

I think we have confidence we'll have a role on some of them. I wouldn't say they are not advanced enough that I could ever give any details on those. As I said, our teams are pursuing them.

Operator

And I'm showing no further questions at this time. I would hand the call back over to Rick Swartz for any closing remarks.

Richard S. Swartz - *MYR Group Inc. - CEO and President*

Thank you, everyone, for participating in today's call. As always, I'd like to thank our strong management team and our employees for their hard work, and our stockholders for their continued support. I don't have anything further. We look forward to working with you going forward and speaking with you again on our next conference call. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. That does conclude today's program. You may all disconnect. Everyone have a great day.