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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the MYR Group Second Quarter 2017 Conference Call. (Operator Instructions) And as a reminder, this conference may be recorded.

I would now like to introduce Ms. Kristine Walczak of Dresner Corporate Services. Ma'am, 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 second 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 and Chief Financial Officer and Treasurer; Tod Cooper, Senior Vice President and Chief Operating Officer of MYR Group's Transmission and Distribution segment; and Jeff Waneka, Senior Vice President and Chief Operating Officer of MYR Group's Commercial and Industrial 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 the company's website, where a copy is available under the Investor Relations tab. Also, a replay of today's call will be available until Thursday, August 10, 11:59 p.m. Eastern Time by dialing (855) 859-2056 or (404) 537-3406 and entering the conference ID 42428877.

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 statement. 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 second quarter 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 second quarter 2017 conference call to discuss financial and operational results. I will begin by providing a brief summary of the second 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 question.

Second quarter 2017 revenues came in strong at $356.2 million. However, our gross margin was down, largely due to write-downs on 3 projects. Two projects in the Midwest were significantly impacted by weather, resulting in unbudgeted cost associated with right-of-way access, lower productivity and increased road damage and repair requirements. As a result, we wrote down approximately $2.8 million for these 2 projects in the second quarter.

One T&D project in Canada experienced cost impacts mainly associated with project delays and schedule extension. Although we are working diligently with our client to recover these costs, we have not yet recognized all of the revenue relating to various pending project claims and change orders. This resulted in a write-down of approximately $2.6 million for this project in the second quarter.

Margins were also impacted by cost associated with acquisitions and opening new offices to grow the depth and breadth of our resources. And with those investments come some integration, utilization and operational challenges. While our financial results may not demonstrate the benefits from these new operations until late 2017, we believe they will strengthen our position and enable us to successfully execute any type or size of project; compete effectively against traditional and new competitors; and most importantly, serve the needs of our clients.

We anticipate gaining momentum on the back half of 2017 due to a healthy backlog, a 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. Recognizing that our priority is to make sure that we -- that growth is profitable for our shareholders, we remain focused on strong project execution and a disciplined approach in all our bidding and operational activity. Looking ahead, the market looks like it will remain strong throughout this year and into next, and we believe we are well positioned in this competitive market to win our share of anticipated opportunities in both our market segments.

Industry activity and trends continue to point to historical investments in electrical infrastructure, which still supports the ongoing execution of our 3-prong strategy of prudent capital allocation for acquisitions, organic growth and return of capital to stockholders.

Our commitments to developing skilled teams, working safely, expanding our client base and maintaining a solid financial position should continue to lay the foundation for future growth, allowing us to deliver strong returns to our stockholders. Our foundation is solid, our team is strong, and we believe MYR is in an excellent position for the coming years.

Now Betty will provide details on our financial results for the second quarter of 2017.

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

Thank you, Rick, and good morning, everybody. Let me start by apologizing for my raspy voice this morning.

Our second quarter 2017 revenues were $356.2 million, which represents an increase of 36% compared to the same period of last year. The increase was primarily due to higher revenues from large transmission projects, an increase in distribution projects and higher C&I revenues due to increased spending from existing customers and the WPE acquisition in late 2016.

T&D revenues were $239.8 million, an increase of 34.2% compared to the same period last year. The breakdown of T&D revenues was $170.9 million for Transmission and $68.9 million for Distribution.

C&I revenues were a record high for the third consecutive quarter at $116.4 million, an increase of $33.1 million or 39.7% compared to the same period last year.

Our overall gross profit was $27.5 million compared to $31.4 million in the second quarter of 2016. The decrease in gross profit was primarily due to lower overall gross margin, partially offset by higher revenues.

Our gross margin was 7.7% in the second quarter of 2017 compared to 12% in the same period last year. As Rick previously discussed, the decrease in gross margin was largely due to write-downs on 3 projects during the quarter and cost associated with organic and acquisition growth. Margins were negatively impacted by contingent consideration related to margin guarantees from an acquisition agreement, $900,000, that was classified as other income. In addition, margins were also negatively impacted from high volume, from a large transmission project that carries lower-than-average margins due to the high mix of material subcontractor costs. Changes in our estimates of gross profit on certain projects resulted in a gross margin decrease of 210 basis points in the second quarter of 2017 compared to an increase of 10 basis points for the second quarter of 2016.

SG&A expenses were $25 million, a $2.5 million increase from the previous year. This was primarily due to $2.8 million of cost associated with our expansion into new geographic markets and a higher payroll cost to support operations, partially offset by lower bonus and profit-sharing cost. SG&A as a percentage of revenue decreased to 7% for the second quarter of 2017 from 8.6% for the second quarter of 2016.

We had an income tax provision of $2.5 million in the second quarter of 2017 compared to an income tax provision of $3.3 million in the same quarter of 2016.

The effective tax rate in the second quarter of 2017 represented 67.3% of pretax income compared to an effective tax rate of 37.8% in the second quarter of 2016. The increase in the effective tax rate for the second quarter of 2017 was primarily caused by our inability to utilize losses experienced in certain Canadian operations.

Net income was $1.2 million or $0.07 per diluted share compared to $5.5 million or $0.31 per diluted share in the second quarter of 2016.

Turning to the June 2017 balance sheet. We had approximately $10 million in cash and cash equivalents, $44.9 million of funded debt and $181.4 million in availability under our credit facility. Our Board of Directors recently approved a new $20 million share repurchase program that will begin when share -- when the current share repurchase program expires. The new program will expire on August 15, 2018, or when the authorized funds are exhausted.

Although we had a challenging first half of 2017, we believe that the fundamental business in markets we participate in are strong and should support improved profitability going forward. We believe our capital and borrowing capacity going forward will support our working capital needs, funding requirements, equipment investments and future growth.

I will 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?

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

Thanks, Betty, and thanks to everyone for joining us this morning. Although we have 3 projects that negatively affected our financial results for the first half of 2017, we remain confident we are headed in the right direction for continued growth and success. Let me tell you why. Our bidding activity for all types of work, including small to medium-sized projects, EPC projects and large transmission projects, has picked up substantially during late Q2 and early Q3. And we believe our experience and depth of resources puts us in a favorable position to win our share of these projects. We are committed to our strategy and believe our efforts will position us to capitalize on this healthy T&D market for years to come.

I'd like to spend a few moments now to tell you about the current transmission market. As I just stated, we are participating in a very active bidding environment for projects of all types and sizes. We have experienced an increase in EPC opportunities, which we expect to continue. To better serve ourselves for capturing more EPC work, we have strengthened our relationships through several meetings and strategy sessions with our industry partners. We have also enhanced our project management capabilities through experienced new hires and education and training, which has received positive feedback from our customers.

A number of our T&D operating groups are engaged in preproposal discussions with developers and utilities for projects of various sizes. Our experience and proven track record of executing projects enables us to provide construction expertise to developers and utilities prior to the RFP phase, which assists them in bringing projects to market. Early contractor involvement during project planning and engineering helps streamline project execution and typically results in a more successful project for all parties. By highlighting our value-add capabilities and sound knowledge base of project conditions, we position ourselves well when it comes time to compete on these opportunities.

On the utility side of the business, we saw several notable announcements during the second quarter, evidence that our utility clients and prospects are continuing to invest heavily in their power grid assets. SNL Energy surveyed 25 utilities about their plans for capital investments in the near term and found that most plan to increase their capital spend, focusing on strengthening critical energy infrastructure. A majority of these utilities that were part of the survey are MYR clients. Dominion Resources announced investments totaling $800 million for projects of all sizes in 2017, including several 500 kV transmission segments and are replacing smaller lines throughout their system. While some planned projects are completed or under construction, we anticipate ample opportunity through the remainder of this year. MYR Group has extensive experience performing projects for Dominion over the past several years, including over 300 miles of 500 kV transmission lines.

Duke Energy announced their Power/Forward Carolinas initiative, which calls for $13 billion in investments over the next 10 years for critical underground transmission lines, further integration of new grid technologies, installation of advanced smart metering, protection against physical and cyber attacks and the continued integration of renewable energy resources.

CenterPoint Energy in Houston announced that they have sought an endorsement by Texas regulators for their Freeport Area Master Plan Project, which consist of substation enhancements and the construction of a new 345 kV transmission line. The project, with an estimated cost of approximately $247 million, will enhance reliability for the Gulf Coast region and deliver new generation to better serve the increase in industrial users in the area. We look forward to pursuing this exciting opportunity.

Oncor Electric Delivery Company, one of MYR's newest clients, announced gaining ERCOT approval for their Far West Texas Project, which is a joint venture with American Electric Power, another long-term MYR client. This 345 kV, 100-mile project in West Texas will help with regional grid stability and reliability. The project is expected to start construction in the next 2 years with a cost of approximately $336 million.

We have also been encouraged in the second quarter by planning permitting progress for several multistate large projects, some of which have entered the RFP stage. As these large opportunities become a reality, we know that we are in a strong position to capture our fair share of the work.

Turning to the distribution market. Our crews continue to work through long-term contracts with multiple utilities. The overall distribution market continues to rebound, driven by ongoing improvements in housing market, the new -- the need to integrate new technology on the distribution system and the need to strengthen their grid during major storm occurrences.

We are happy to report that in the second quarter, we were notified that our long-standing distribution alliance agreement with Xcel Energy in Colorado would be approved for an additional 3-year term. This demonstrates the confidence that they have in our company and crews to provide continued quality service to their distribution system. Our distribution operation for Oncor Electric in Texas is gaining momentum. In order to better serve the overall Texas market, we recently opened a new office and fleet facility located outside of Alvarado, Texas, which demonstrates our commitment to serving this rapidly growing part of the country.

On a final note, we will continue to focus on strengthening and growing our client relationships to ensure we remain the contractor of choice that is best suited to meet their current and future project needs. We will explore new markets and service offerings through acquisitions and organic growth initiatives, and we will remain disciplined as we carefully assess the competitive landscape and the needs for our clients in order to capitalize on the right opportunities to grow our business. We continue to invest in our people, equipment and safety programs so that MYR maintains its position as one of the country's leading specialty electrical contractors.

Thanks again for your time today. I will now turn the call over to Jeff Waneka, who will provide an overview and outlook of our Commercial and Industrial segment.

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

Thank you, Tod, and good morning, everyone. My vision for MYR's C&I segment is to continue to leverage technology while collaborating risk and reward in order to put us in a favorable position on some of the most advanced projects across the country. Our tight relationships are bringing high-quality opportunities, and our focus on high-tech puts us in a strong position to continue expanding operations.

Let me give you a few examples. First, let's start with an update on the aerospace industry. As the Internet of Things continues its rapid expansion, the demand for satellite communications grows ever greater. After more than a year of design collaboration with an international aerospace company, we were awarded a large contract to build a highly complex manufacturing and testing facility. We had mobilized the site and are now providing design assistance on other potential projects.

Moving to air travel. As security needs increase and Internet-based ticketing takes hold, airports are faced with the need to reconfigure major portions of their facilities. MYR C&I group is in negotiations at Denver International Airport on a multimillion dollar project, which starts the relocation of much of their infrastructure to allow changes in how passengers flow through the airport. We understand that international airports and other target markets will soon be undergoing similar infrastructure changes, and we believe that our high-tech experience will create an advantage for these future opportunities.

Moving to health care. Hospital providers are now emerging, both physically by coming together and combined space and through technology to better serve a broader clientele. Later this year, C&I will be completing Phase I of Banner Health's initiative to combine services with the University of Arizona in a new $400 million building. Phase 2 of this project will be awarded later this year, and this project will continue throughout 2018. Understanding the complexities of co-mingled communication systems and clients into a single integrated facility gives us a distinct advantage on similar future endeavors. A prime example is the new Children's Hospital planned for Broomfield, Colorado. Since the initial award of this project, its value has grown as Children's Hospital creates additional space in their facility for other health care providers. This will be our fourth sizable project for this client, which puts us again shoulder-to-shoulder with their experts, providing long-term solutions and increasing our value with them.

Moving to transportation. Our groundbreaking U.S. 36 project between Denver and Boulder, Colorado, where our crews installed millions of dollars of high-tech equipment, fiber optics and signage, allows the Department of Transportation to streamline traffic flow and take steps intended to reduce major accidents and fatalities. This project has resulted in calls from around the country to assist on similar projects. As mentioned in our prior call, we are now on exclusive teams pursuing similar large projects in multiple states.

Moving to data centers. Nearly every division of C&I has data center work in progress, which is one of our strongest markets. We are also tracking many new desirable projects. For instance, we are working on our -- we are working for our largest data center client in multiple states, and there's a steady stream of upgrades in the planning stage. What's even more exciting is that every data center built leads to years of ongoing maintenance and upgrades. These are mission-critical facilities, and loyalty to their expert builders is very strong. In addition to the relationships established with data center owners, we are establishing strong relationships with some of the country's largest general contractors that focus primarily on building mission-critical facilities. When these types of projects are planned in our target markets, we are first on their list to help them budget the project and bring the project to life.

Finally, we've opened a new division in our California region focused on the renewable energy market. This development occurred when we hired a team of industry veterans with renewable experience. MYR now has the ability to furnish all aspects of a renewable plant, from the panel to the transmission tie. We're also very excited about their experience in the battery storage industry, which has the potential to truly change the industry. I believe our opportunities to expand services in this market are abundant.

So to conclude, I've shared my vision of how MYR will continue leveraging trusting relationships combined with advances in technology that puts us in a favorable position for many exciting projects.

Thanks for your interest in our company, and I'll turn it back to Rick for a closing statement.

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

Thank you for those updates, Tod and Jeff. Overall, as we reflect on our performance for the second quarter, we will focus on operational improvements in the second half as we continue to grow our business. We consider ourselves fortunate to work in this very robust and evolving industry. While uncertainty of project timing and a highly competitive landscape will continue to pose challenges, we believe we are in a strong position to capitalize on future opportunities we expect from this healthy market environment. We are committed to what we believe is a sound and well-executed business model to help us achieve our goals and deliver long-term value, and we'll continue to make strategic decisions that make our company safer and stronger. We do acknowledge that future success is never guaranteed. Only consistently strong leadership and dedicated employees over a long period of time can ensure long-term success in any business. That's what we have at MYR.

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 MYR Group. I look forward to updating you on our progress next quarter.

Operator, we are now ready to open the call up for comments and questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from the line of Alex Rygiel with FBR Capital.

Alexander John Rygiel - *FBR Capital Markets & Co., Research Division - Director of Research*

You talked a little bit about the new market opportunities in the second half of 2017. Can you be a little bit more specific on that? Is that the new division in California you're referencing?

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

It's that and it's a few of the organic areas that we opened last year that continue to have developments in it. We're securing work in those areas, and we're starting to see the backlog grow in most of the organic areas we've opened.

Alexander John Rygiel - *FBR Capital Markets & Co., Research Division - Director of Research*

Excellent. And then as it relates to the 3 projects that impacted the second quarter, is there any carryover effect into the third quarter from these projects?

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

I'll let Tod take that, and then I'll add to it.

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

Yes. As far as the 2 projects in the Midwest, constructional on both of these projects is complete, and they've both been turned over to the client. On one project, we have a few remaining landowner settlements and 3 townships that we have to close out repair with. We've engaged a landowner consultant on that project, and we feel that we have the adequate reserves in place to finish those 2 projects in the Midwest. Now as far as the Canada project, that job substantially -- will be substantially complete at the end of September. Just a little more history on that is that the project is primarily a labor and equipment project. And it's encountered several delays beyond our control throughout the course of the project, and we continue to discuss the pending claims and change orders with our client. And we're prepared to take those to the next level if we cannot settle with the client. Rick, do you have anything?

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

No, I think that covered it, Tod.

Alexander John Rygiel - *FBR Capital Markets & Co., Research Division - Director of Research*

And then lastly, on the topic of EPC opportunities, it sounds like we might be going through kind of a mix shift here towards greater revenue contribution from EPC projects. Can you talk about that impact on your margins more broadly and your impact on your margins in the current quarter?

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

We continue to see that developing, as we said in our script and as others are saying in the marketplace. It is more prevalent on the T&D side than it was, let's say, 2, 3 years ago. On our C&I side, that's been a big component of our business all along, so it's something we do. So we have the expertise there that we brought over to the line side as far as the procurement side and the engineering side on securing those and making sure that we have those covered. But as an overall fact, we're able to still secure a good margin on our labor and equipment. But the pass-through -- when I say pass-through, it does come with a markup on the material, and the subcontractor component is usually at a lower rate. So you do see a little pressure there, but it depends on the contract.

Operator

And the next question will come from the line of Tahira Afzal with KeyBanc Capital Markets.

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

So I guess as I look at how your margins in T&D ramp back up to -- this year, should I assume a more gradual sort of back end-loaded ramp as you finish off and think about some of these projects? And does that mean that by the fourth quarter, we should be back to normalized margins over there?

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

Yes, we sure hope so. I mean, when I look at our overall backlog, the margins in there remain consistent. As I said last quarter, that hasn't changed. We're not seeing a dip in our backlog margin. We do, this year, have a -- well, we have -- this year, we have a large project in Texas that we've discussed in the past that does have a lot of pass-through cost as far as subcontractor and material component in it, and that goes into the second quarter of next year. So we do see a little pressure there on the margins, but it's not enough to really move the needle much just because of the size of that EPC component of that project.

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

Got it, okay. And talking about the C&I side, the margins over there have been, more so, bumping along the bottom of your range ex charges. Do we see some of these investments trailing off at some point and align sort of with the margin expansion over there?

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

We're always driving for margin expansions where we can get it. So I think we look at it. We strive for that. It's just some of the factors that sometimes can pull you back a little from that, and we try to address that every quarter.

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

And the C&I margins, you should manually adjust for those contingent considerations that are in other income that's -- that impacts the C&I margins. It doesn't impact our pretax income, but it's a classification in the financial statement. So there's -- they're a little bit stronger than op income that's shown in the segment.

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

It takes a little while for our organic offices to kind of mature and get into a good run rate. And we've now been in some of these markets that we opened up building resources and building relationships, and we're now seeing the kind of traditional projects that we have received in our existing legacy markets. So we do believe that those margins will improve in those organic areas.

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

Got it, okay. So just as a quick follow-up to that. Given you expect, hopefully, some margin directional improvement there and it seems to bounce back on the T&D side, it seems the revenue side and prospects are going well. So should we be in a position in 2018 where your margins can -- overall aggregate gross margin can bounce back into that 11% last shown? Or is it tough to call right now?

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

I would say that's our goal. We see some movement on the T&D side as far as future bids and potential margins going up when you look at some of the large projects there finally going to come to market. On the C&I side, that component's a little bit different. The cost to entry is so much lower for competitors to come into that to expand. Though there may be a saturation in a given area, you still see margin pressure, to some degree, so you don't see that increased side. But what we -- what Jeff and his team are doing are being very selective on the projects they're going in. And it's one on 2 sides. One is long-term growth with a client and how long will that sustain, and chasing those clients and not just chasing the highest-margin work, but that balance between the 2.

Operator

And the next question comes from the line of Andrew Whitman with Robert W. Baird.

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

Great. I just wanted to dig in and make sure I understand some of the charges in a little bit more detail before stepping back and asking some more strategic questions. But Betty, is it right to assume that the $2.6 million in Canada is entirely not tax deductible and therefore, on an EPS basis, was about a $0.16 hit to your EPS for the quarter?

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

It's correct that it's not tax deductible. So for that specific job, I don't have an exact dollar amount, but you would take the entire amount of the $2.6 million.

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

Yes, yes. So if you do that and the Midwest jobs for $2.8 million that's $0.11, that's $0.27 right there.

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

Yes.

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

The quarter -- I mean, you can't add them back, but you can make a pathway that the underlying margin performance ex the charges was kind of in line with what folks were expecting, and that seems to match the commentary that you have here. But I wanted to also ask on the -- in the 10-Q, you mentioned that there's $1.2 million of other adjustments, which also occurred in the quarter. I guess my question around those is in what segments that those other adjustment -- profit adjustments hit? And what's the status of those jobs? Are they complete? How much backlog is left with those?

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

Majority -- probably, of the 9 T&Ds, the item that is called out for the -- like $900,000. That's sitting in other income. But the op income for C&I is impacted by that $900,000. The others would be in T&D, and there -- that's a very -- they're much smaller an impact, because $900,000 of the $1.1 million is the one job.

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

Yes. So very little -- on the remaining revenue on those projects, very little that proved down that additional $300,000 she's talking about.

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

Got it, got it. Okay, that makes sense. How much longer does the margin guarantee stay in place? This is the second quarter, I think, in a row that we've this adjustment, recognition of that cost.

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

It should be -- I mean, it depends because some projects may get pushed out a little bit. So -- but we work on that. It could stay in place for as long as 6 months or so. So we're working through that. As that projects finish up, and we can get a final cost to complete and a final estimate that both parties agree on.

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

Great. And then just you guys kind of mentioned in your comments about an uptick in bidding in late 2Q and here early 3Q. I guess my question is, when -- or do you expect to receive notification on the awards of those projects? Do you also expect those in a relatively short order? Or are they larger products that may take some time to find their way to selection?

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

I'll start, and I'll turn it over to Tod and Jeff to give a little more color on it. Projects are all different sizes, so we have some projects that clients are ready to go, they're ready to start. It's one of those where we move our site -- our people on within weeks. And then we've got other projects that you receive a large project award, it may be 6 months before you're mobilizing on that. Tod and Jeff, you guys can talk a little more specific.

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

Yes. We have a mix of construction-only contracts as well, labor and equipment contracts, that are bidding -- that are large projects on the T&D side right now. Some bids have been submitted. We're working on several others. And it is a mix of those projects that will start here in the third quarter as well as some that need some additional permitting to get started in 2018. From an EPC standpoint, we do have some projects that should hit in the fourth quarter, but the majority of those are 2018 and longer.

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

C&I, we have been in preconstruction phase on multiple projects in -- all across the Western United States that we have every reason to believe those are going to become projects in the third quarter and the fourth quarter, that the full value of those awards will come through.

Operator

Your next question comes from the line of Noelle Dilts with Stifel.

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

So first, just a housekeeping question. On the Midwest project -- I know on the Canadian project, you talked about there being some opportunity for the recovery. But on the Midwestern project, it didn't sound that way. So is this weather impact just sort of the normal weather impact that you have to bear in contract?

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

It is on these 2 projects. These are long-term clients we -- that we continue to do work for today, and we've done work for over the past decade with these customers. So these are, really, I'd call, one-off weather occurrences that we've had. We didn't bid this project any different than we have in the past or we would with projects in the future. The weather was a huge impact to us. And to give you an idea, I think we had approximately 50 days of rain, Tod, on...

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

Yes.

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

In this last quarter on one project as we attempted to finish it up. And if I look at these 2 projects overall and I look at kind of the net effect of the 2 projects, a substantial amount of revenue that are involved with these projects over the last 1.5 years. And if I look at the net effect of margin, it's about a 1% loss overall. So it's not like we lost millions and millions on these projects. It's that they were going extremely well for us. And we're projecting them. And then the weather towards the end of the project, that last 6 months really, and especially into this quarter, kind of put this -- brakes to the whole project and made us incur that additional cost.

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

That's really helpful. That helps clarify the picture. It also looks like there was a pretty significant shift in terms of the fixed-price work you're doing in T&D declining in the quarter. Could you help us understand what was going on there?

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

Yes. It's -- I've always said it, it's all the projects that come in and what you happen to have in backlog at that time. And then one of the projects that we have is a large Texas project that we talked about in the script also about the lower revenue on pass-through costs -- or the lower mark-up on pass-through costs. So that affects us in our backlog. But any quarter, it varies based on the type of work we've got. And when it comes to fixed cost or unit price or anything that goes with that, we don't really have a preference. We'll do any type of work. We try to adapt to what our customer wants, and then make sure the contract fits us and we cover as many of those risks as we can.

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

Okay. And then just given the absence of a quorum at FERC, how are you thinking about the potential impact from that on the industry and your business if we don't see a resolution relatively soon?

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

Well, it's really going to probably affect us on some of the larger projects and most of those projects. That's not the only component holding them up. I mean, they're still going -- they're trying to do parallel -- the FERC approval, the permitting approval, the right-of-way acquisition, all that stuff goes hand in hand. I don't see it currently as an impact. It doesn't mean if they don't move and get a quorum set up in there that -- so they can move these projects forward, that it won't be in the future. But they've got many other components still worked through on many of these projects.

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

Okay. And then last question from me. It looks like -- sorry.

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

Go ahead.

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

Okay. Last question from me. It looks like there's actually kind of an interesting buildup of backlog for wind and solar projects, given the tax credits expiring in -- or starting to step down in 2020. Are you expecting any sort of rebound in renewable project activity as we move into '18? And how are you thinking about the associated transmission opportunity?

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

Well, I think it's -- for us, it's more than just a transmission opportunity. It's also the C&I component that Jeff talked about with the group that he's brought in, in California. We see it, right now, is we've got a pretty good business model put together. We see it as an opportunity for our company to potentially capitalize on. So we see it both in our T&D side and our C&I side as a positive growth factor.

Operator

And the next question will come from the line of Bobby Burleson with Canaccord.

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

Just wanted to touch upon -- so with several of my questions having been answered, I just wanted to touch upon kind of what regions of the country do you think are going to be the strongest. Or are you seeing the most opportunity in the next couple of quarters for broader space as kind of public type of work?

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

I'll turn it over to Tod and Jeff.

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

Yes. I think on the T&D side, where the work has generally, over the past few years, kind of moved from area to area, we're starting to see it kind of expand nationwide. We're really excited about some of the larger opportunities from an RFP and RFI standpoint that are out there in the West. We've been awaiting those for quite some time. And along the East Coast and the Mid-Atlantic states, we're seeing a pickup there. But the Midwest remains consistent and strong. So I think today, we see it more spread out and consistent than we've seen in the past few years for opportunities.

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

And when would you expect kind of a ramp in these opportunities? Would it be going in next year or even beyond that?

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

I think in the West, with some of these large projects, it would be beyond 2017.

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

Yes. We're currently doing pricing on some projects and working on RFPs that are out. I mean, some of the construction phase is '19, '20, as far as that, some are '18. So we're seeing a variance. In the past year, we've probably been -- or I'd say going back a couple years, there have been projects that would be completed in the next 24 months. We're seeing some that don't, some that start sooner than that, but some that the start of the projects aren't until then. But people are actually planning that far in advance and capturing their teams now. Jeff, you got anything on the C&I side?

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

Well, we're very excited about our traditional -- our legacy units have very strong markets. And the exciting part is where we've chosen to go open offices, we're seeing similar activity. So we feel like we've really moved into the right markets. More on the West Coast and Las Vegas, and those areas are really picking up some steam right now.

Operator

And your next question comes from the line of Jon Braatz with Kansas City Capital.

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

A question about the new organic offices that you've opened in the past 1.5 years, 2 years. Number one, have you -- are you thinking about opening any additional offices? And then in -- sort of in aggregate, can you give us an idea of what these offices -- what the drag on margins these offices are having and when you might expect them to -- these offices in aggregate, again, to reach their maturity?

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

Okay. I'll start that, and then I'll let Jeff or Tod or Betty add to it. As we go through the organic growth there is, we look at them every quarter, every month. I said last quarter, we are going to focus on the ones we have established already and not really search to open new ones within the next year. But if the right opportunity comes, if a client wants to take us somewhere, if it makes business sense and our people can put together a business plan that passes, I would say, senior management and our board, and it can be profitable, we're not going to say no to it necessarily. But our focus is to make the ones we have profitable. And when I look at the drag of them net of all the organic growth areas, my goal is to have that, hopefully, cost of all those -- the overhead costs covered this year by the work they're doing. So if you look at them as a net operational, the organic growth areas, is to have that overhead cost covered with our backlog with the work they're burning off, and then to have enough backlog to sustain and then have them profitable as an overall operation next year.

Operator

This concludes today's question-and-answer session. I would now like to turn the call back over to Mr. Rick Swartz for closing remarks.

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

Thank you, everyone, for participating on today's call. I feel privileged to work for this great company with such talented people. The way we work together to address challenges while growing our business and supporting our clients is a source of pride and confidence as we pursue new opportunities long into the future. 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.

Operator

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