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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the MYR Group first-quarter 2016 conference call. (Operator Instructions) As a reminder this conference call is being recorded. I would now like to introduce Ms. Kristine Walczak of Dresner. Ma'am, please begin.

Kristine Walczak - *MYR Group Inc. - IR, Dresner Corporate Services*

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 2016, which were reported yesterday.

Joining us on today's call are Bill Koertner, President and Chief Executive Officer; Betty Johnson, Senior Vice President, Chief Financial Officer and Treasurer; and Rick Swartz, Senior Vice President and Chief Operating Officer.

If you did not receive yesterday's press release, please contact Dresner Corporate Services that 312-726-3600, and we will send you a copy; or go to www.myrgroup.com, where a copy is available under the investor relations tab. Also, a replay of today's call will be available until Wednesday, May 11, at 11:59 Eastern Time by dialing 855-859-2056 or 404-537-3406 and entering conference ID 86460832.

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, the 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, 2015, the Company's quarterly report on Form 10-Q for the first quarter of 2016, 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 measurements is set forth in yesterday's press release. With that said, let me turn the call over to Bill Koertner.

Bill Koertner - *MYR Group Inc. - President and CEO*

Thanks, Kristine. Good morning, everyone. Welcome to our first-quarter 2016 conference call to discuss 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 CFO, for a more detailed financial review. Following Betty's discussion, Rick Swartz, our Chief Operating Officer, will provide an overall industry outlook and discuss some of MYR's plans going forward. I will then conclude with some closing remarks and open up the call for your comments and questions.

The first quarter was a challenging start of the year for MYR. While revenues improved nearly 4% year-over-year, our operating income was down for the period as compared to the first quarter of 2015. This was due in large part to the fact that our first quarter last year included some favorable contract margin pickups from the closeout of several large jobs which we have not experienced this year. Additionally, operating income for the quarter was negatively impacted by certain jobs that underperformed for a variety of reasons and the continued high level of competition facing us in many markets.

Our operating income was also impacted by higher SG&A costs associated with expansion into new geographic markets, both organically and through acquisitions. We continue to believe that our investments in these growth initiatives will enhance future performance and build greater long-term shareholder value.

Throughout the first quarter, we focused on initiatives to support our three-pronged strategy of prudent organic growth, acquisitions, and returning capital to shareholders -- all supported by MYR's strong balance sheet. As we announced on our last conference call, the Board approved new financing strategies to support the Company's equipment needs, including alternative financing arrangements for a portion of our future equipment needs.

We purchased over 1 million shares of our stock under our repurchase program in the first quarter, reflecting our belief that at current levels, our stock represents an attractive investment opportunity. Since the inception of our share repurchase program in 2014 through March 31, 2016, we have returned $69.4 million to shareholders through our repurchase program. Thus far this has been accomplished without triggering any borrowings under our revolver, and our balance sheet remains strong to support our three-pronged strategy of capital allocation.

In March, we entered into a settlement with Engine Capital to expand the size of our Board of Directors and appointed John Schauerman as Director and agreed to appoint Arnaud Ajdler following the 2006 annual shareholder meeting. Due to a conflict with Mr. Ajdler's other schedules, Engine Capital exercised its right under the settlement agreement to nominate Brad Favreau as a replacement candidate.

Our Board reviewed Brad's qualifications and background and subsequently appointed him to the Board on April 28, following the 2016 annual shareholders meeting. We are confident that the addition of these new Board members will positively impact MYR as we identify and execute opportunities to enhance the value of our Company.

Bidding activity remained strong in the quarter in both our T&D and C&I markets. However, competition remained stiff. We are hopeful that as the overall economy recovers, it will improve the competitive pricing climate in our markets over time, which should foster higher top-line revenue growth and profitability for MYR group.

MYR has a long history of delivering superior operational and financial performance in strong and weak competitive markets. We enjoy excellent relationships with our customers and employees, supply partners, investors and other stakeholders. Our reputation with all of the stakeholders is critical to our ability to capitalize on future opportunities.

As always, we encourage and value the input of our stockholders. Your participation and in support of MYR's long-term strategies to maximize shareholder value are essential for our continued success.

Now Betty will provide details on our financial results for the first quarter of 2016.

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

Thank you, Bill, and good morning, everybody. As Bill stated earlier, top-line growth in revenues was not enough to overcome start-up costs in some of our organic and acquisition growth markets and margin pressures from increased competition.

Our first-quarter 2016 revenues were $253.6 million, which represented a $9.5 million or 3.9% increase compared to the same period of 2015. The increase was primarily due to higher C&I revenue, driven primarily by organic and acquisitive expansion into our new markets, which was partially offset by a decline in revenue from large multi-year transmission projects.

Compared to 2015 first-quarter, T&D revenues decreased $6.2 million or 3.3% to $183 million. C&I revenues increased $15.7 million or 28.6% to $70.7 million. The breakdown of T&D for the first quarter of 2016 is $141.3 million for transmission and $41.7 million for distribution.

Our overall gross profit in the first quarter of 2016 was $27.3 million compared to $29.4 million in the first quarter of 2015. The decrease in our gross profit was primarily due to lower gross margins, partially offset by higher revenues.

Our gross margin was 10.8% in the first quarter of 2016 compared to 12% in the same period last year. The decline in gross margin was primarily due to the impact of favorable closeouts and estimate adjustments, which benefited the first quarter of 2015 by 1.5% of revenue but caused a decline of 0.6% of revenue in the first quarter of 2016.

We continue to see pressure on bid margins and an increase in shorter-duration jobs, which result in lower labor productivity and higher overall mobilization and demobilization costs. Additionally, some of our jobs underperformed due to labor productivity being below previous estimates and severe weather in certain markets.

First-quarter 2016 SG&A expenses were $23.9 million compared to $18.6 million in the first quarter of 2015. The $5.3 million increase was due to $3.3 million of costs associated with our organic and acquisitive expansion into the new markets, higher payroll costs to support operations, $1 million associated with the activist investor activities, and higher medical costs. And that was partially offset by lower bonus, profiteering, and stock compensation costs.

SG&A as a percentage of revenues represented 9.4% in the first quarter of 2016, up from 7.6% from the first quarter of 2015. First-quarter 2016 EBITDA was $13.3 million compared to $20.5 million in the first quarter of 2015.

Our provision for income tax decreased to $1.2 million in the first quarter of 2016 compared to $4.2 million in the same quarter of last year. Our effective tax rate in the first quarter of 2016 was 38.6% compared to 36.9% in the first quarter of 2015. The increase in the effective tax rate was primarily caused by the impact of our lower domestic activity deductions and changes in the mix of businesses between states.

First-quarter 2016 net income was $2 million or $0.10 per diluted share compared to $7.2 million or $0.34 per diluted share in the first quarter of 2015. Total backlog at March 31, 2016, was $434.8 million, consisting of $293.5 million in T&D segment and $141.3 million in the C&I segment. Total backlog as of March 31 decreased by $16.1 million from the $450.9 million reported at December 31, 2015, a decrease of 3.6%.

Despite the decline from December 31, backlog at March was higher than the eight consecutive quarters preceding December 31, 2015. T&D backlog at March 31 decreased $30 million or 9.3%, while C&I backlog increased $13.9 million or 10.9% from December 31, 2015.

Turning to the balance sheet, at March 31 we had approximately $26 million in cash and cash equivalents, no outstanding funded debt, and $150.7 million in availability under our credit facility. Stockholders' equity was $305 million at March 31, 2016 -- $24.3 million lower than March 31, 2015, primarily due to the $51.9 million of share repurchases in the last 12 months.

As it relates to our share repurchase program, in the first quarter of 2016 we purchased approximately 1.2 million shares of our common stock for $26.7 million. We amended the program February 10, 2016, increasing the capacity by $75 million to $142.5 million in total, updating its provisions to accelerate the pace of repurchases and extending the program through April 30, 2017.

As of March 31, 2016, we had $73.1 million of availability under the program. We have continued repurchasing shares into the second quarter of 2016, repurchasing over 850,000 shares for approximately $23.3 million through May 3, 2016.

I will now turn the call over to Rick, who will provide an overall industry outlook and our view on MYR's opportunities.

Rick Swartz - *MYR Group Inc. - SVP and COO*

Thanks, Betty, and good morning, everyone. Throughout the first quarter, we experienced a steady pace of T&D bidding activity for projects of all sizes in both the US and Canada as well as the majority of our C&I markets. Project activity remains fluid across all of our T&D and the C&I markets, and our crews have been busy with start-up and mobilization activities related to projects awarded early 2016, such as the MBP 16 EPC project for MidAmerican in Illinois and the new million-square-foot Denver Veterans Medical Center. With our bidding and construction activities off to a solid start in 2016, we are encouraged by the industry trends, which indicate steady activity as well as an increase in the number of large projects coming to market throughout this year and beyond.

This follows a lower number of large projects awarded in 2015, which was primarily the result of the delay or postponement of several large transmission projects originally slated to begin construction in 2015. Although we may remain in the midst of a wait-and-see environment throughout 2016 due to unknowns on the regulatory and political front, there appears to be plenty of construction and planning activity taking place that looks positive for the overall transmission market over the long term.

On March 16, transmission hub provided its quarterly update and noted they are tracking $137 billion of electric transmission projects in the US and Canada that are planned and under construction, representing approximately 39,000 miles of new and/or rebuilds of transmission. This data reinforces our belief that historical investment trends will continue over the next several years by traditional investor-owned utilities.

This data does not include projects anticipated from nontraditional transmission developers with merchant-type projects in the planning phases both in the US and Canada. The drivers for infrastructure investments in the T&D markets remain intact, such as the need to replace aging infrastructure; the continued integration of new generation sources, such as natural gas, wind, and solar; as well as the protection against physical and cyber threats.

We continuously monitor changes on the regulatory front that may impact transmission investment in the US. Regulatory events, such as the stay of the Clean Power Plan by the US Supreme Court earlier this year, the renewal of the production tax credit and investment tax credits by Congress and the implementation and evolution of FERC Order 1000 are all developments that we will continue to monitor closely.

The potential impact of the Clean Power Plan's implementation on future transmission investment is still being evaluated by our industry. Although the political and legal arguments for or against the CPP will be heard in the coming months by the judicial system, recent news from transmission planners is encouraging.

Planners from independent system operators and transmission developers are beginning to examine how the CPP will impact the need for additional transmission to integrate new forms of clean generation sources. MISO's mid-March report indicated that its long-term planning forecast will need to address additional transmission to import renewable resources as a result of the impact the CPP may have on their system in the coming years.

In addition, we expect that the 2015 congressional approval of the five-year production tax credit and investment tax credit will stimulate new investment in wind and solar generation over the coming years, as we have recently seen increased planning and bidding activity. These renewable resources were generally located in more remote areas of the country and will require new transmission infrastructure to deliver power to population centers.

On the FERC 1000 front, Chairman Norman Bay announced that his staff will hold a technical conference in mid-2016 to address issues related to the order and decide FERC's positions on how it can better coordinate planning and cost allocation for projects. We see this as a positive event to help move more competitive projects to market.

Although these regulatory events are evolving and have yet to be fully absorbed by our industry, we believe that the overall theme of a changing generation mix by utilities, an increase in wind and solar development, and improved planning and competition under FERC 1000 will result in the need for additional electrical transmission to be built throughout the US and Canada.

The trend of historical investments in transmission by utilities also continued in the first quarter, as evidenced by several recent announcements. One of our largest clients, ITC Holdings, announced in the first quarter that it will be acquired by Fortis, a Canadian-based utility. They also stated they will be increasing their capital expenditures by $200 million through 2018 to $2.1 billion. ITC also announced that they will be moving forward on their Lake Erie interconnector project, which will connect the Ontario independent electric system operator with the PGM interconnection region in the US.

Dominion Virginia Power, another large client of MYR, announced in the first quarter of 2016 that they plan to invest nearly $2 billion per year through 2020 on capital projects in Virginia and northeastern North Carolina. This is a region where we have traditionally maintained a strong operational presence and have a history of successful project execution.

Edison International, the parent company of Southern California Edison, recently announced plans to invest in upgrades to its electrical distribution and transmission system to better integrate renewable resources over the next several years. The Company said it would increase its transmission expenditures from $613 million in 2015 to forecasts of $704 million in 2016 and $1.2 billion in 2017. We will continue to closely track progress of these developments to our recently established operations in Southern California.

Shifting to distribution, the growth trends that we experienced throughout 2015 remained steady in the first quarter, as we continued to perform work through a number of long-term alliance agreements. As we consider future organic growth and expansion opportunities, we look forward to additional prospects for distribution work in both our established and new markets over the long term.

Looking at our C&I business, bidding and project activity remained strong in the majority of our regions. Throughout the West, our Arizona and Nevada markets both experienced significant bidding opportunities in the first quarter of 2016. Although these markets have been slower to recover, new initiatives in high tech, education, and hospitality facilities should provide continued opportunity in these markets going forward.

In Colorado, we see opportunities in aerospace, as companies have announced major awards for satellite development and manufacturing, and there are also plans for two major pharmaceutical campuses. The technical nature of this work will demand a contractor like MYR who possesses a high degree of skill and experience in this area.

Healthcare opportunities also remained strong due to advancements and increased complexities involved with the latest technology and equipment. This has always been a core competency for us, and we expect to capture several opportunities in this space due to our extensive skill level and resume of successful healthcare project completion.

Throughout the Northeast, private institution and educational facility opportunities are prevalent. Many universities and educational institutions are refreshing and modernizing facilities. And we are experiencing growth in campus housing, educational building, support services, and sporting facility projects -- not just throughout the Northeast, but in all of our C&I regions.

Finally, power plant projects may be moving forward as the ISO New England take steps to decrease the carbon footprint and increase renewable energy power sources.

In conclusion, despite a slower-than-expected 2015 and a climate of uncertainty that may remain throughout 2016, our efforts to grow the business continue to deliver positive returns. We have plenty of reasons to believe that 2016 and beyond will provide MYR with viable opportunities related to new projects, organic growth, and acquisitions. As we align ourselves with our overarching strategy, we also maintain a steadfast focus on refining our internal skills and processes, with the expectation of providing profitable returns, successful project delivery, safe work performance, quality craftsmanship, and client satisfaction.

Thanks, everyone, for your time today. I'll now turn the call back to Bill, who will provide some closing comments.

Bill Koertner - *MYR Group Inc. - President and CEO*

Rick, thank you for the market update. In closing, our results for the first quarter 2016 are evidence that we are still emerging from last year's highly competitive market. We believe the actions we are taking today should strengthen our position in the marketplace and provide attractive long-term returns for shareholders.

Our goals remain the same: we want to be the contractor of choice for customers, the employer of choice for the workforce, and the partner of choice for developers and suppliers. We look forward to what we expect will be a more promising balance of the year as we expand organically and through acquisitions, refine our capabilities for improvements of the nation's electrical infrastructure, and maintain our reputation for financial strength and liquidity.

These are all efforts to increase shareholder value and maintain long-term profitable growth of MYR Group. To conclude, on behalf of Betty, Rick 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 for comments and questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Bill Newby, D.A. Davidson.

Bill Newby - *D.A. Davidson & Co. - Analyst*

Bill on for John Rogers today. I was hoping to just get some more color on the problem projects you guys were having in the quarter. How much work do you guys have left? And are you confident that those can return to performing at your expectations?

Bill Koertner - *MYR Group Inc. - President and CEO*

Rick, do you want handle that?

Rick Swartz - *MYR Group Inc. - SVP and COO*

Yes. On the T&D side we had primarily one project, and it was related to weather impacts earlier in the year. And also we had a few weather impacts on projects down in the Texas area, where they received a large amount of rain over a short period and extended time. So those were primarily the issues.

One project -- the first one I was talking about, that one is primarily done. So I think we recognized everything on that project. We still do have the work in Texas continuing.

Bill Newby - *D.A. Davidson & Co. - Analyst*

And the project that had the productivity issues -- is that still going on?

Rick Swartz - *MYR Group Inc. - SVP and COO*

Yes, that was on our C&I side. And that project is a campus-type project with multiple buildings on it. This was done -- I guess this impacted on a couple of the phases of that project. I think we're far enough along where we've realized what we see to date. I don't see a big impact going forward, but that project does continue through later this year.

Bill Newby - *D.A. Davidson & Co. - Analyst*

Okay, thanks; that helps. And I guess, regarding the weather, with the fires going on up in Alberta, have you guys had any impacts there? Or do you see any risk for impact as we move forward?

Rick Swartz - *MYR Group Inc. - SVP and COO*

We currently don't have any work in Alberta, so that should not impact us at all.

Bill Newby - *D.A. Davidson & Co. - Analyst*

Okay. Thanks, guys, that's all I got.

Operator

Noelle Dilts, Stifel.

Noelle Dilts - *Stifel Nicolaus - Analyst*

My question ties into the last question, to some extent. You guys did call out the 60-day impact from weather in productivity in the quarter, but I don't know if that captured the drag of that you saw from start-up costs. I'm really just trying to get a sense of how much of this margin impact was temporary, versus how much it could kind of continue. So can you maybe give us a sense of that start-up cost drag? And then speak to how that 60 basis point impact was split between T&D and C&I?

Bill Koertner - *MYR Group Inc. - President and CEO*

I'm going to start off on that, Noelle, and then I'll have Rick amplify. We have a number of offices that we've established, one on the T&D side and multiple offices on the C&I side. We hire key management people in those markets to build the operation. That includes small staff with positions like estimating, and so forth.

So when we hire those individuals, obviously we don't have any work from the beginning. So it's up to that group with our support to find profitable work to cover those kind of overhead costs. Some of those costs would eventually find their way to contract costs, to the extent we secure work.

So some of the new markets we're in, we're getting close to fully covering our overhead costs. Other markets that we are in, we still have a ways to go. We remain very confident that -- you know, we picked these markets for a reason and feel we've got the right teams to develop a good, profitable book of business in those markets. But it doesn't happen overnight.

So we're working hard at it and think it will pay big dividends for the Company down the road. So, Rick, I don't know if you have anything more you wanted to add on that?

Rick Swartz - *MYR Group Inc. - SVP and COO*

We take a very strategic approach. As we start out these businesses and we go into them, we either -- as we said on previous calls, we either follow clients or it's a market where we truly believe it's long-term for us to enter. So that takes an investment upfront.

We're going to do everything we can this year to make sure that that doesn't continue to drag down on us. And we have enough work secured in those areas to cover the overhead associated with it and build it for the long-term.

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

And let me just add one thing. Noelle, you asked about the 0.6% impact of changing our margins. Just to be clear that start-up business units are not -- any impact from those are not included in that 0.6%.

Noelle Dilts - *Stifel Nicolaus - Analyst*

Okay, thanks. And then just speaking to -- back on your transmission business, you've been vocal about the fact you've seen competition increase. Have you seen any improvement just in terms of the supply -- on the supply side in terms of construction capacity?

Have some of your -- I've heard some of your competitors, particularly international competitors, may have taken a step back from the market. So can you comment on that? And then could you speak to if you're seeing significant differences in terms of the competitive landscape on a regional basis?

Bill Koertner - *MYR Group Inc. - President and CEO*

Go ahead, Rick.

Rick Swartz - *MYR Group Inc. - SVP and COO*

On the international ones, yes, we've seen some people seem to take a step back, and primarily the Spanish firms aren't as aggressive as they seemed to be in the past. But I have not seen our local competitors say no to any work out there.

We do see a lot of projects on the bidding front. So that's a positive sign for us, and we've got some great relationships with clients that we think will benefit us long-term, but it still remains a competitive environment.

Noelle Dilts - *Stifel Nicolaus - Analyst*

Okay. And then last question for me. Engine has been pretty vocal about their desire to go through price discovery on the Company. Can you just talk about how you're thinking about that process at this point?

Bill Koertner - *MYR Group Inc. - President and CEO*

Sure, well, as we've said on earlier calls, our Board is very focused on its responsibility to shareholders and fulfilling their fiduciary duties. When we have Board meetings, we talk about strategies, including possible price discovery process, I think is the term the Engine Capital people used. We think our current strategy is a sound one to build long-term shareholder value as opposed to putting a for-sale sign up for a quick sale.

But we do look at all the options. The Board is very conscious of its responsibility. And we are constantly looking at our long-range plans and making sure that we are doing what makes the most sense for shareholders. So I think investors can draw some comfort from the fact that the Board seriously looks at all options.

Noelle Dilts - *Stifel Nicolaus - Analyst*

Great. Thanks, Bill.

Operator

Andrew Wittmann, Robert W. Baird.

Andrew Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

I understand the office start-up costs were a factor. It sounded like, maybe in some of Rick's comments, that you're starting to get going on newer jobs. And I was just wondering if projects that were starting -- so in other words, project start-up costs -- were a factor in the margins for the quarter?

Rick Swartz - *MYR Group Inc. - SVP and COO*

As far as overall effect, start-up costs really didn't affect us. It's primarily, as Bill said earlier, as you start these new offices, and you're putting that development cost of capturing work in those markets -- that's really where we've seen it from hiring the estimators, the project managers, the business leaders to develop those markets.

Andrew Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Got it. And then just on large transmission projects that are out there, can you talk about how your outlook on that market in particular has evolved over the last few months? It kind of feels like there's more coming into the radar screen. I don't know if you have that same sense. And when do you think some of these large projects will be let, and do you expect to have a role on them?

Rick Swartz - *MYR Group Inc. - SVP and COO*

I'm definitely seeing more on the radar screen. As we said in previous quarters and previous years, I truly wish I could pick the award dates of those, and the permitting issues, and some of the other things that seem to continually delay the projects. But as far as what's available on the radar screen, visibility-wise from, let's say, a year ago, I definitely see it in a positive manner.

And back to your question: do we plan on playing a role in it? We definitely plan on playing a role in this. It's a focus of our Company. It's been a good business segment for us, and we continue to put the resources necessary to develop and then execute that work.

Andrew Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Yes, so I guess maybe to get some context on that, can you talk to -- I know it's hard to delineate what a large transmission project is, but of the $550 million or so-ish, probably $1 million of revenue this year, how much of that do you think will be coming from projects that you would consider large? Just so we could understand the impact that this has on the margin mix of that T&D segment.

Rick Swartz - *MYR Group Inc. - SVP and COO*

I really don't break it out that way, by what we're going to capture by large projects. We break it out by area, by district, by business unit. And then we roll that up into our results. So we really don't do segment-by-segment results.

Andrew Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Okay. I guess maybe final question. Obviously it doesn't feel like the first quarter is indicative of the earnings power of the Company, but with the challenges that we've seen in some of the supply/demand imbalance in the T&D industry recently, I was just wondering if you're looking at the cost structure here for fixed assets and other overhead; and if there's an opportunity, if that's something you're looking at contemplating, for the year ahead?

Bill Koertner - *MYR Group Inc. - President and CEO*

We are always looking at our cost structure. And we're talking about expansion efforts. If we've got offices that aren't carrying themselves, we would close the office and shed that overhead cost. So we are constantly trying to balance it and not keep offices open unless we think they are viable and contribute to the long-term profitability.

So that's an ongoing effort. And we understand it's essential to be a low-cost producer, and you've got to really manage you overhead.

Andrew Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

What about on the equipment side, Bill? Is there unused equipment that should be sold or turned off of lease?

Bill Koertner - *MYR Group Inc. - President and CEO*

We are also looking at our equipment. There is some equipment that is sold. We every quarter we are sending iron to auctions to dispose of it. I don't think we have any big surplus that we need to take to the auction house, but we are scaling back some of our purchases so we can, through attrition, kind of manage that. But we will always have auctions.

We will are also participating in auctions to buy used equipment. I have got some of our fleet guys at an auction today looking at equipment that -- a contractor is going out of business, and we are looking at some of that equipment. So we are very active on rightsizing our fleet and trying to have a very cost effective fleet. Because that's -- other than labor, fleet is second-biggest cost component of our overall cost structure.

Andrew Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Okay. I think I'll leave it there. Thank you.

Operator

Tahira Afzal, KeyBanc.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

First question -- Bill, something you mentioned just on the last question asked: you know, we've seen -- for example, the pipeline space, have seen some bankruptcies and fallout, finally. Are you guys at that point where you feel there will be a shrinking capacity going forward, especially for some of the more specialized transmission work?

Bill Koertner - *MYR Group Inc. - President and CEO*

Well, it's an ebb and flow thing. As I indicated, there was one contractor that's going out of business here in the last month or two, but there's going to be another one come in. So to say there's been a net-net shrinkage of capacity -- I would like to be able to say that, but I don't think that would be fair.

Every quarter there are contractors going out of business, and every quarter there are some new ones going in. And if equipment becomes depressed and, in some cases, the market value or auction value for equipment is depressed, that provides a lower cost of entry for some new player.

So we're on top of it. We monitor that all the time. And I would like to be able to say that there's been a net shrinking of electrical contracting capacity, but we have not seen that yet.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Got it. Bill, when you say you haven't seen that yet, do you expect it? You know, typically from my experience, these sectors, when they go through -- even if it's a transient slowdown, you do see some consolidation.

Bill Koertner - *MYR Group Inc. - President and CEO*

Yes, I would think there would be, if the work -- it would generalize. You've got the large transmission, the 345 and the 500 lines. There's different equipment. Different contractors can handle that -- and then as you go to lower voltages all the way down to the voltages our C&I group works with.

So it's hard to generalize. But there are new players coming in and players going out in all of these markets. I think the capital that was pumped into the large transmission market four or five years ago -- there is not as much new capital from private equity trying to invest in regional transmission contractors. I see less of that today than what I would have seen a few years ago.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

All right, okay. And Bill, on the C&I side, it seems like you're putting in some investments to really expand that business. And it seems that business, the non-res business, is relatively holding on pretty well. Once you've made these investments, is there a chance margins (technical difficulty) 7% type of level? Or is that not going to be possible?

Bill Koertner - *MYR Group Inc. - President and CEO*

Well, we like the C&I market. I'm not going to comment on the margins. Rick, you got any other color you want to offer on the C&I market?

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

Two different operating income margins?

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Oh, yes, that's the segment margins I'm asking about. I guess what I'm trying to ask is: have they peaked, or can you kind of get them back up once the investments have been made?

Rick Swartz - *MYR Group Inc. - SVP and COO*

Tahira, we do everything we can to get those margins up. We try to attack areas that we see higher margins and long-term profitability in those areas. So we're not trying to go into an area and start a business that's going to last a year.

We are looking at a business that's going to sustain long-term. And we attract a team that can manage that work, and execute, and increase our margins long-term. That's always our goal. But again, the overall effect of the market, and what affects margins up there, and the competition, and the amount of work up there fluctuates constantly.

Bill Koertner - *MYR Group Inc. - President and CEO*

Tahira, I would add -- every time we enter a new market, or this would also be true of considering an acquisition, we put together a business case. And we really challenge the people who promote that new office or promote that acquisition. And I can assure you, we're not going into any new markets with the thought that we're going to make a 3% operating margin. We are looking for markets and businesses that can do better than that. So that definitely is our focus.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Got it. Thank you, Bill. Then I'll hop back into the queue.

Operator

(Operator Instructions) William Bremer, Maxim Group.

William Bremer - *Maxim Group - Analyst*

Just wanting to get a sense more in terms of -- we're seeing these projects on the horizon. In your opinion, do you feel as though that they're getting cut up more frequently? And as you mentioned, in this quarter you really are having a little problems with the leverage on some of them. As you're booking the pricing, is the pricing still holding on these? And is there something that needs to be done more operationally to really start to enhance those margins going forward?

Rick Swartz - *MYR Group Inc. - SVP and COO*

From an operational front on the execution side, we look at everything we can. We spend a lot of our time preplanning projects -- putting our people out front, even in the estimating phase, trying to come up with the best way to execute the work. And we continue to enhance that plan all the way through to completion. Some of the problems we talked about earlier as it related to it was weather. That was a big impact on one of the transmission projects and a couple of the smaller ones.

And then execution on the C&I front -- when we are coordinating with other trades, when we're working with clients on that side, we try to do as much as we can upfront and eliminate rework. Sometimes we get in that situation where we do have rework. And at the end of those projects or during those projects, we do lessons learned; we do every aspect of planning we can to ensure that doesn't happen again on future projects. But every project is a little bit different. And we look at every productivity enhancement we can make.

Bill Koertner - *MYR Group Inc. - President and CEO*

And just to add to that, Bill, we are really working hard at staying disciplined on our bidding. As markets get tight, there's definitely a tendency of not only estimators cutting margins or advocating that margins be cut, but also advocating reducing contingency and being more aggressive with productivity assumptions.

So as we review bids at all levels within our Company, we are working hard to remain disciplined. And we're not looking to just buy revenue; we are looking for revenue that produces decent returns. So that discipline we are, I think, are doing a good job of keeping.

William Bremer - *Maxim Group - Analyst*

Okay. Betty, here's one for you -- just a blocking and tackling type question. The corporate unallocated expense line: can you give us a sense of how that looks as we progress into 2016?

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

When you are talking about the corporate unallocated, are you -- I'd say our corporate overall unallocated is fairly consistent.

William Bremer - *Maxim Group - Analyst*

Okay. All right.

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

So constantly reviewing and challenging it. But you take our first quarter, and obviously we called out a couple of things in our SG&A, like the activist cost. That's behind us from the first quarter. So that very specifically is an example that would be excluded.

William Bremer - *Maxim Group - Analyst*

Okay. And one last one for you, Rick. We did have some severe impact of weather in the Texas area. How much of a headwind are you seeing that potentially for the second quarter?

Rick Swartz - *MYR Group Inc. - SVP and COO*

I continue to see weather down there. The impacts are still there -- to what degree, it's hard to tell. I mean, we're still -- it depends where we are at in the projects. I see it affecting us on some of our work.

Hopefully, it dries out, and we not have the effect and make up the difference. But if we bid any work with the most severe weather impacts possible, and we put that in our estimate, it would be difficult to capture some of those projects. With that said, we try to limit our exposure and define number of weather days and other issues that may impact us going forward. But sometimes they can't all be defined.

William Bremer - *Maxim Group - Analyst*

No, I understand. Thank you, Rick.

Operator

Stefan Neely, Avondale Partners.

Stefan Neely - *Avondale Partners - Analyst*

First off, I want to apologize if my following questions may have already been answered. I was on another call and then flipped over, so I missed some of your commentary.

I wanted to start off talking little bit about SG&A costs. The $3.3 million does seem a little high. I was wondering -- is that something you see going forward? And also, if you look year-over-year, I think the year-over-year jump in SG&A was $5 million to $6 million. And so there seems to be some extra year-over-year number in there. Can you talk a little bit about that? And also, in regards to the expansion efforts, when do you kind of think about seeing the associated revenue ramp?

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

I'll start with -- to answer that, just to refer to some of the comments made earlier. The SG&A, $5.3 million year-over-year increase. Besides for the acquisition growth increase of $3.3 million, there was -- included in that number is $1 million as it relates to the activist activity.

And that $1 million is -- we consider it to be one-time. We don't exclude it from our numbers, but it is something that we consider to be a one-time cost this first quarter. As you know, we settled -- since we settled in the quarter with Engine Capital.

Stefan Neely - *Avondale Partners - Analyst*

Right.

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

And on that $3.3 million, keeping in mind the dollar amount is -- when it comes to the -- do we anticipate some of the cost going down, it really is more of that cost being -- you know, say, it's consistent; but what we are looking for is the revenue to come through. And then that cost is just supporting our revenue growth, and SG&A as a percentage of our revenue goes back down.

Stefan Neely - *Avondale Partners - Analyst*

Okay.

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

As it relates to the covering on the revenue, I'll have Rick address that.

Rick Swartz - *MYR Group Inc. - SVP and COO*

As Bill said earlier, every area that we go into to expand geographically, we do a business plan on. We look at it; we follow some clients up there, so we try to have -- in certain areas, we've got a backlog that we have. But as we hire new people to develop the market, and manage that work, and build relationships, we put that investment in. So we do have revenue coming in from these areas currently in almost all the areas. And my goal is by year end to be covering our overhead with every area that we've expanded into currently.

Stefan Neely - *Avondale Partners - Analyst*

Okay, perfect. That's really helpful, thank you. My last question, I suppose, just comes from -- looking at that T&D kind of Q1 with margins, was there some productivity issues there? Any problems, jobs lingering? Or was it kind of just one-time, with weather or whatnot?

Rick Swartz - *MYR Group Inc. - SVP and COO*

I covered that earlier. And as you said, you weren't on it.

Stefan Neely - *Avondale Partners - Analyst*

Yes, I apologize.

Rick Swartz - *MYR Group Inc. - SVP and COO*

There was a couple of projects on the T&D side that were impacted by weather, and we kind of covered the different progression. Those projects were in Midwest and Texas area. And then I covered the C&I side, which -- that's a campus-type project. This was two phases of that project that we had some work issues on, some coordination issues and some rework.

So those ones -- as I said, that work goes through the end of the year on one of the projects. I think we've realized the rework to date that we have. And we are doing everything to ensure that doesn't happen on that project going forward.

Stefan Neely - *Avondale Partners - Analyst*

Okay, excellent. Thanks for taking my redundant questions, guys. Have a great day.

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

No problem, thank you.

Operator

Noelle Dilts, Stifel.

Noelle Dilts - *Stifel Nicolaus - Analyst*

On the VA hospital job, can you remind us of the timing of how that's going to play out?

Rick Swartz - *MYR Group Inc. - SVP and COO*

That project goes into mid-next year. So summer of next year, beginning of summer -- we should be substantially complete with that project by then.

Noelle Dilts - *Stifel Nicolaus - Analyst*

Okay, thank you.

Operator

Thank you. I am showing no additional audio questions at this time. I'd like to turn the conference back over to management for any closing remarks.

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

Bill, can I add my clarification on something? When I was going through financial information talking about their share repurchase program, I just want to make sure I clarify a number that I used. We talked about our share repurchases going into the second quarter -- just giving you an update of the $23.3 million that's been spent through May 3 in Q2.

I quoted 850,000 shares, but I needed to get a number all the way through May 3 for those shares, and that number of shares is 925,000 shares relating to the $23.3 million. Just to make sure that everyone had the right number. Thank you.

Bill Koertner - *MYR Group Inc. - President and CEO*

Okay. Thanks, Betty. I'd like to thank everyone for participating on today's call. As always, I'd also like to congratulate our management team and employees for their hard work and our stockholders for their continued support. I don't have anything further. And we look forward to speaking with you folks again next quarter. Thanks.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone have a wonderful day.
