UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2016

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange act of 1934

For the transition period from _______________ to _________________

Commission File Number: 001-32998

Energy Services of America Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-4606266**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
75 West 3rd Ave., Huntington, West Virginia	**25701**
(Address of Principal Executive Office)	(Zip Code)

(304) 522-3868
(Registrant's Telephone Number Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐

Smaller Reporting Company ☒

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

As of February 1, 2017, there were 14,239,836 outstanding shares of the Registrant's Common Stock.

Part 1. Financial Information

Item 1. Financial Statements (Unaudited):

Energy Services of America Corporation
Consolidated Balance Sheets

Assets	December 31, 2016 (Unaudited)	September 30, 2016
Current assets		
Cash and cash equivalents	$ 7,002,857	$ 3,815,790
Accounts receivable-trade	15,125,260	24,059,432
Allowance for doubtful accounts	(108,211)	(133,500)
Retainages receivable	6,151,411	5,810,474
Other receivables	99,433	106,837
Costs and estimated earnings in excess of billings on uncompleted contracts	4,726,981	5,953,818
Deferred tax asset	1,399,152	1,399,152
Prepaid expenses and other	2,107,276	2,485,101
Assets of discontinued operations	12,303	12,303
Total current assets	36,516,462	43,509,407
Property, plant and equipment, at cost	40,431,556	39,375,505
less accumulated depreciation	(27,126,939)	(26,625,827)
	13,304,617	12,749,678
Long-term notes receivable	137,281	137,281
Total assets	$ 49,958,360	$ 56,396,366
Liabilities and shareholders' equity		
Current liabilities		
Current maturities of long-term debt	$ 2,930,193	$ 2,867,898
Lines of credit and short term borrowings	1,500,000	6,232,943
Accounts payable	4,517,786	5,006,427
Accrued expenses and other current liabilities	3,736,520	5,933,571
Billings in excess of costs and estimated earnings on uncompleted contracts	3,991,731	3,410,548
Income tax payable	1,026,436	1,076,440
Liabilities of discontinued operations	28,671	28,671
Total current liabilities	17,731,337	24,556,498
Long-term debt, less current maturities	6,615,847	7,390,099
Deferred income taxes payable	1,926,077	1,926,077
Total liabilities	26,273,261	33,872,674
Shareholders' equity		
Preferred stock, $.0001 par value Authorized 1,000,000 shares, 206 issued at December 31, 2016 and September 30, 2016	-	-
Common stock, $.0001 par value Authorized 50,000,000 shares 14,839,836 issued and 14,239,836 outstanding December 31, 2016 shares and September 30, 2016	1,484	1,484
Treasury stock, 600,000 shares at December 31, 2016 and September 30, 2016	(60)	(60)
Additional paid in capital	61,289,260	61,289,260
Retained earnings (deficit)	(37,605,585)	(38,766,992)
Total shareholders' equity	23,685,099	22,523,692
Total liabilities and shareholders' equity	$ 49,958,360	$ 56,396,366

The Accompanying Notes are an Integral Part of These Financial Statements

Energy Services of America Corporation
Consolidated Statements of Income
Unaudited

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015
Revenue	$ 37,496,872	$ 34,374,091
Cost of revenues	32,812,085	30,734,450
Gross profit	4,684,787	3,639,641
Selling and administrative expenses	2,195,610	2,184,626
Income from operations	2,489,177	1,455,015
Other income (expense)		
Other nonoperating expense	(71,429)	(11,310)
Interest expense	(230,969)	(233,418)
Gain on sale of equipment	26,990	31,400
	(275,408)	(213,328)
Income from continuing operations before income taxes	2,213,769	1,241,687
Income tax expense	975,112	542,831
Income from continuing operations	1,238,657	698,856
Dividends on preferred stock	77,250	77,250
Income from continuing operations available to common shareholders	1,161,407	621,606
Income from discontinued operations net of tax expense	-	-
Net income available to common shareholders	$ 1,161,407	$ 621,606
Weighted average shares outstanding-basic	14,239,836	14,239,836
Weighted average shares-diluted	17,673,169	17,673,169
Earnings per share from continuing operations available to common shareholders	$ 0.082	$ 0.044
Earnings per share from continuing operations-diluted available to common shareholders	$ 0.066	$ 0.035
Earnings per share available to common shareholders	$ 0.082	$ 0.044
Earnings per share-diluted available to common shareholders	$ 0.066	$ 0.035

The Accompanying Notes are an Integral Part of These Financial Statements

Energy Services of America Corporation
Consolidated Statements of Cash Flows
Unaudited

Cash flows from operating activities:	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015
Net income available to common shareholders	$ 1,161,407	$ 621,606
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	678,331	595,677
Gain on sale/disposal of equipment	(26,990)	(31,400)
Provision for deferred taxes	-	551,583
Decrease in contracts receivable	8,908,883	1,714,438
(Increase) decrease in retainage receivable	(340,937)	1,496,419
(Increase) decrease in other receivables	7,404	(138)
(Increase) decrease in cost and estimated earnings in excess of billings on uncompleted contracts	1,226,837	(730,514)
Decrease in prepaid expenses	377,825	238,333
Decrease in accounts payable	(488,641)	(551,010)
Increase (decrease) in accrued expenses	(2,197,051)	351,277
Increase (decrease) in billings in excess of cost and estimated earnings on uncompleted contracts	581,183	(210,200)
Decrease in income taxes payable	(50,004)	(80,086)
Net cash provided by operating activities	9,838,247	3,965,985
Cash flows from investing activities:		
Investment in property & equipment	(1,309,852)	(1,247,673)
Proceeds from sales of property and equipment	103,572	34,200
Net cash used in investing activities	(1,206,280)	(1,213,473)
Cash flows from financing activities:		
Borrowings on lines of credit and short term debt, net of (repayments)	(4,732,943)	(266,235)
Principal payments on long term debt	(711,957)	(602,411)
Net cash used in financing activities	(5,444,900)	(868,646)
Increase in cash and cash equivalents	3,187,067	1,883,866
Cash beginning of period	3,828,093	1,511,581
Cash end of period	$ 7,015,160	$ 3,395,447
Supplemental schedule of noncash investing and financing activities:		
Purchases of property & equipment under financing agreements	$ -	$ 1,978,284
Supplemental disclosures of cash flows information:		
Cash paid during the year for:		
Interest	$ 230,969	$ 233,418
Income taxes	$ 903,116	$ 61,334
Insurance premiums	$ 232,943	$ 16,235
Dividends paid on preferred stock	$ 154,500	$ 154,500

The Consolidated Statements of Cash Flows includes the discontinued operation, S.T. Pipeline.

The Accompanying Notes are an Integral Part of These Financial Statements

Energy Services of America Corporation
Consolidated Statements of Changes in Shareholders' Equity
For the three months ended December 31, 2016 and 2015

	Common Stock		Additional Paid	Retained	Treasury	Total Shareholders'
	Shares	Amount	in Capital	Earnings (deficit)	Stock	Equity
Balance at September 30, 2015	14,239,836	$ 1,484	$ 61,289,260	$ (41,004,048)	$ (60)	$ 20,286,636
Net income available to common shareholders	-	-	-	621,606	-	621,606
Balance at December 31, 2015	14,239,836	$ 1,484	$ 61,289,260	$ (40,382,442)	$ (60)	$ 20,908,242
Balance at September 30, 2016	14,239,836	$ 1,484	$ 61,289,260	$ (38,766,992)	$ (60)	$ 22,523,692
Net income available to common shareholders	-	-	-	1,161,407	-	1,161,407
Balance at December 31, 2016	14,239,836	$ 1,484	$ 61,289,260	$ (37,605,585)	$ (60)	$ 23,685,099

The Accompanying Notes are an Integral Part of These Financial Statements

ENERGY SERVICES OF AMERICA CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Energy Services of America Corporation ("Energy Services" or the "Company") was formed in 2006 as a special purpose acquisition corporation, or blank check company. On August 15, 2008, Energy Services completed the acquisitions of S.T. Pipeline, Inc. ("S.T. Pipeline") and C.J. Hughes Construction Company, Inc. ("C.J. Hughes").

Wholly owned subsidiary C.J. Hughes is a general contractor primarily engaged in pipeline construction for utility companies. C.J. Hughes operates primarily in the mid-Atlantic region of the United States. Nitro Electric Company, Inc. ("Nitro Electric"), a wholly owned subsidiary of C. J. Hughes, is an electrical and mechanical contractor that provides its services to the power, chemical and automotive industries. Nitro Electric operates primarily in the mid-Atlantic region of the United States. Contractors Rental Corporation ("Contractors Rental"), a wholly owned subsidiary of C.J. Hughes, provides union building trade employees for projects managed by C.J. Hughes. All of the C.J. Hughes, Nitro Electric, and Contractors Rental production personnel are union members of various related construction trade unions and are subject to collective bargaining agreements that expire at varying time intervals. S.T. Pipeline engaged in the construction of natural gas pipelines for utility companies in various states, mostly in the mid-Atlantic area of the country. On May 14, 2013, the Company liquidated the operation of S.T. Pipeline and realized $1.9 million from the sale of assets. The financial position and results of operations of S.T. Pipeline have been presented as discontinued operations in the accompanying financial statements for all presented periods.

The Company's stock is quoted under the symbol "ESOA" on the OTC QB market place operated by the OTC Markets Group.

Interim Financial Statements

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the Company's audited financial statements and footnotes thereto for the years ended September 30, 2016 and 2015 included in the Company's Annual Report on Form 10-K filed with the SEC on December 15, 2016. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to the interim financial reporting rules and regulations of the SEC. The financial statements reflect all adjustments (consisting primarily of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company's financial position and results of operations. The operating results for the three months ended December 31, 2016 are not necessarily indicative of the results to be expected for the full year or any other interim period.

Principles of Consolidation

The consolidated financial statements of Energy Services include the accounts of Energy Services and its wholly owned subsidiary, C.J. Hughes and its subsidiaries, Nitro Electric and Contractors Rental. S.T. Pipeline has been shown as discontinued operations for the three months ended December 31, 2016 and 2015. All significant intercompany accounts and transactions have been eliminated in the consolidation. Unless the context requires otherwise, references to Energy Services include Energy Services and C.J. Hughes and C.J. Hughes' subsidiaries.

Reclassifications

Certain reclassifications have been made in prior years' financial statements to conform to classifications used in the current year.

2. UNCOMPLETED CONTRACTS

Costs, estimated earnings, and billings on uncompleted contracts as of December 31, 2016, and September 30, 2016 are summarized as follows:

	December 31, 2016	September 30, 2016
Costs incurred on uncompleted contracts	$ 143,946,711	$ 134,163,585
Estimated earnings, net of estimated losses	18,495,020	16,592,644
	162,441,731	150,756,229
Less billing to date	161,706,481	148,212,959
	$ 735,250	$ 2,543,270
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 4,726,981	$ 5,953,818
Less billings in excess of costs and estimated earnings on uncompleted contracts	3,991,731	3,410,548
	$ 735,250	$ 2,543,270

Backlog at December 31, 2016 and September 30, 2016 was $81.2 million and $78.5 million, respectively.

3. CLAIMS

The Company does not have any claims recorded as of December 31, 2016. Claims receivable is a component of cost and estimated earnings in excess of billing.

4. FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosures Topic* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

As noted above, there is a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying amount for borrowings under the Company's revolving credit facility approximates fair value because of the variable market interest rate charged to the Company for these borrowings. The fair value of the Company's long term fixed-rate debt to unrelated parties was estimated using a discounted cash flow analysis and a yield rate that was estimated based on the borrowing rates for bank loans with similar terms and maturities. The fair value of the aggregate principal amount of the Company's fixed-rate debt of $11.0 million at December 31, 2016 was $10.8 million.

The Company uses fair value measurements on a non-recurring basis in its assessment of goodwill and long-lived assets held and used. In accordance with its annual impairment test during the quarter ended September 30, 2012, the Company recorded a goodwill impairment charge of $36.9 million, which represented the entire amount of goodwill carried on the Company's balance sheet. Refer to Note 4, Goodwill and Intangible Assets, of the Company's Annual Report on Form 10-K for the year ended September 30, 2016 for further information.

5. DISCONTINUED OPERATIONS

Due to organizational changes and operating losses incurred in fiscal year 2012, the Company decided to discontinue the operations of its wholly owned subsidiary S.T Pipeline. On May 14, 2013, the Company liquidated the operations of S.T. Pipeline and realized $1.9 million from the sale.

The Company did not have income from discontinued operations for the three months ended December 31, 2016 and 2015.

The following table shows the components of assets and liabilities that are classified as discontinued operations in the Company's consolidated balance sheets at December 31, 2016 and at September 30, 2016.

	December 31, 2016	September 30, 2016
Cash	$ 12,303	$ 12,303
Deferred tax asset	-	-
Assets of discontinued operations-current	12,303	12,303
Property, plant, and equipment, net	-	-
Total assets of discontinued operations	12,303	12,303
Accounts payable	-	-
Accrued expenses and other current liabilities	28,671	28,671
Liabilities of discontinued operations-current	28,671	28,671
Liabilities of discontinued operations-long term	-	-
Total liabilities of discontinued operations	28,671	28,671
Net liabilities	$ (16,368)	$ (16,368)

The $29,000 in accrued expenses and other current liabilities at December 31, 2016 represents a reserve for any unexpected expenses that may be incurred by the discontinued operation. As of December 31, 2016, the Company had paid all debts known to exist to the unsecured creditors of the discontinued operation.

6. EARNINGS PER SHARE

The amounts used to compute the earnings per share for the three months ended December 31, 2016 and 2015 are summarized below.

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015
Income from continuing operations	$ 1,238,657	$ 698,856
Dividends on preferred stock	77,250	77,250
Income available to common shareholders-continuing operations	$ 1,161,407	$ 621,606
Weighted average shares outstanding	14,239,836	14,239,836
Weighted average shares outstanding-diluted	17,673,169	17,673,169
Earnings per share from continuing operations available to common shareholders	$ 0.082	$ 0.044
Earnings per share from continuing operations available to common shareholders-diluted	$ 0.066	$ 0.035
Income from discontinued operations	$ -	$ -
Weighted average shares outstanding	14,239,836	14,239,836
Weighted average shares outstanding-diluted	17,673,169	17,673,169
Earnings per share from discontinued operations	$ -	$ -
Earnings per share from discontinued operations-diluted	$ -	$ -
Net income	$ 1,238,657	$ 698,856
Dividends on preferred stock	77,250	77,250
Net income available to common shareholders	$ 1,161,407	$ 621,606
Earnings per share available to common shareholders	$ 0.082	$ 0.044
Earnings per share available to common shareholders-diluted	$ 0.066	$ 0.035

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

You should read the following discussion of the financial condition and results of operations of Energy Services in conjunction with the "Financial Statements" appearing in this report as well as the historical financial statements and related notes contained elsewhere herein. Among other things, those historical consolidated financial statements include more detailed information regarding the basis of presentation for the following information. The term "Energy Services" refers to the Company, C.J. Hughes and C.J. Hughes' wholly owned subsidiaries on a consolidated basis.

Forward Looking Statements

Within Energy Services' consolidated financial statements and this discussion and analysis of the financial condition and results of operations, there are included statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "project," "forecast," "may," "will," "should," "could," "expect," "believe," "intend" and other words of similar meaning.

These forward-looking statements are not guarantees of future performance and involve or rely on a number of risks, uncertainties, and assumptions that are difficult to predict or beyond Energy Services' control. Energy Services has based its forward-looking statements on management's beliefs and assumptions based on information available to management at the time the statements are made. Actual outcomes and results may differ materially from what is expressed, implied and forecasted by forward-looking statements and any or all of Energy Services' forward-looking statements may turn out to be wrong. The accuracy of such statements can be affected by inaccurate assumptions and by known or unknown risks and uncertainties.

All of the forward-looking statements, whether written or oral, are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements or that are otherwise included in this report. In addition, Energy Services does not undertake and expressly disclaims any obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this report or otherwise.

Company Overview

Energy Services of America Corporation ("Energy Services" or the "Company") was formed in 2006 as a special purpose acquisition corporation, or blank check company. On August 15, 2008, Energy Services completed the acquisitions of S.T. Pipeline, Inc. ("S.T. Pipeline") and C.J. Hughes Construction Company, Inc. ("C.J. Hughes").

Wholly owned subsidiary C.J. Hughes is a general contractor primarily engaged in pipeline construction for utility companies. C.J. Hughes operates primarily in the mid-Atlantic region of the United States. Nitro Electric Company, Inc. ("Nitro Electric"), a wholly owned subsidiary of C. J. Hughes, is an electrical and mechanical contractor that provides its services to the power, chemical and automotive industries. Nitro Electric operates primarily in the mid-Atlantic region of the United States. Contractors Rental Corporation ("Contractors Rental"), a wholly owned subsidiary of C.J. Hughes, provides union building trade employees for projects managed by C.J. Hughes. All of the C.J. Hughes, Nitro Electric, and Contractors Rental production personnel are union members of various related construction trade unions and are subject to collective bargaining agreements that expire at varying time intervals. S.T. Pipeline engaged in the construction of natural gas pipelines for utility companies in various states, mostly in the mid-Atlantic area of the country. On May 14, 2013, the Company liquidated the operation of S.T. Pipeline and realized $1.9 million from the sale of assets. The financial position and results of operations of S.T. Pipeline have been presented as discontinued operations in the accompanying financial statements for all presented periods.

Energy Services is engaged in providing contracting services for energy related companies. Currently Energy Services primarily services the gas, petroleum, power, chemical and automotive industries, though it does some other incidental work such as water and sewer projects. For the gas industry, the Company is primarily engaged in the construction, replacement and repair of natural gas pipelines and storage facilities for utility companies and private natural gas companies. Energy Services is involved in the construction of both interstate and intrastate pipelines, with an emphasis on the latter. For the oil industry, the Company provides a variety of services relating to pipeline, storage facilities and plant work. For the power, chemical, and automotive industries, the Company provides a full range of electrical and mechanical installations and repairs including substation and switchyard services, site preparation, equipment setting, pipe fabrication and installation, packaged buildings, transformers and other ancillary work with regards thereto. Energy Services' other services include liquid pipeline construction, pump station construction, production facility construction, water and sewer pipeline installations, various maintenance and repair services and other services related to pipeline construction. The majority of the Company's customers are located in West Virginia, Virginia, Ohio, Pennsylvania, and Kentucky. The Company builds, but does not own, natural gas pipelines for its customers that are part of both interstate and intrastate pipeline systems that move natural gas from producing regions to consumption regions as well as build and replace gas line services to individual customers of the various utility companies.

Our consolidated operating revenues for the three months ended December 31, 2016 were $37.5 million of which 57.5% was attributable to gas & petroleum contract work, 35.8% to electrical and mechanical contract services and 6.7% to water and sewer contract installations and other ancillary services. The Company had consolidated operating revenues of $34.4 million for the three months ended December 31, 2015, of which 42.2% was attributable to gas & petroleum contract work, 46.5% to electrical and mechanical contract services, and 11.3% to water and sewer contract installations and other ancillary services.

Energy Services' customers include many of the leading companies in the industries it serves, including:

EQT Corporation
Rice Energy
Columbia Gas Transmission
Columbia Gas Distribution
Marathon Petroleum
American Electric Power
Toyota Motor Manufacturing
Bayer Chemical
Dow Chemical
Kentucky American Water
Various state, county and municipal public service districts.

The Company enters into various types of contracts, including competitive unit price, cost-plus (or time and materials basis) and fixed price (lump sum) contracts. The terms of the contracts will vary from job to job and customer to customer though most contracts are on the basis of either unit pricing, in which the Company agrees to do the work for a price per unit of work performed or for a fixed amount for the entire project. Most of the Company's projects are completed within one year of the start of the work. On occasion, the Company's customers will require the posting of performance and/or payment bonds upon execution of the contract, depending upon the nature of the work performed. The Company generally recognizes revenue on unit price and cost-plus contracts when units are completed or services are performed. Fixed price contracts usually result in recording revenues as work on the contract progresses on a percentage of completion basis. Under this accounting method, revenue is recognized based on the percentage of total costs incurred to date in proportion to total estimated costs at completion. Many contracts also include retention provisions under which a percentage of the contract price is withheld until the project is complete and has been accepted by the customer.

Energy Services' sales force consists of industry professionals with significant relevant sales experience, who utilize industry contacts and available public data to determine how to most appropriately market the Company's line of products. The Company relies on direct contact between its sales force and customers' engineering and contracting departments in order to obtain new business.

Seasonality: Fluctuation of Results

Our revenues and results of operations can and usually are subject to seasonal variations. These variations are the result of weather, customer spending patterns, bidding seasons and holidays. The first quarter of the calendar year is typically the slowest in terms of revenues because inclement weather conditions causes delays in production and customers usually do not plan large projects during that time. While usually better than the first quarter, the second calendar year quarter often has some inclement weather which can cause delays in production, reducing the revenues the Company receives and/or increasing the production costs. The third and fourth calendar year quarters usually are less impacted by weather and usually have the largest number of projects underway. Many projects are completed in the fourth calendar year quarter and revenues are often impacted by customers seeking to either spend their capital budget for the year or scale back projects due to capital budget overruns.

In addition to the fluctuations discussed above, the pipeline industry can be highly cyclical, reflecting variances in capital expenditures in proportion to energy price fluctuations. As a result, our volume of business may be adversely affected by where our customers are in the cycle and thereby their financial condition as to their capital needs and access to capital to finance those needs. Accordingly, our operating results in any particular quarter or year may not be indicative of the results that can be expected for any other quarter or any other year.

Forbearance Agreement and Financing Arrangements

On November 28, 2012, the Company entered into a Forbearance Agreement with United Bank, Inc. (West Virginia), Summit Community Bank (West Virginia), and First Guaranty Bank (Louisiana) related to our revolving line of credit and term debt as reported in the Company's November 29, 2012 Form 8-K filing. The Forbearance Agreement, among other things, required the Company to close S.T. Pipeline and dispose of its assets. The Company was also required to prepare recommendations relating to the on-going operations of Nitro Electric, C.J. Hughes, and Contractors Rental, including refinancing, sale or liquidation of the companies by May 31, 2013.

On January 31, 2014, the Company entered into a financing arrangement ("Term Note") with United Bank, Inc. and Summit Community Bank. The financing arrangement is a five-year term loan in the amount of $8.8 million. In addition, the Company entered into a separate five-year term loan agreement with First Guaranty Bank for $1.6 million. Taken together, the $10.4 million in new financings supersede the prior financing arrangements the Company had with United Bank, Inc. and other lenders. As a result of entering into the new financings, United Bank, Inc. and the other lenders of the Company agreed to terminate their Forbearance Agreement with the Company. This was reported in the Company's February 4, 2014 Form 8-K filing.

On September 16, 2015, the Company entered into a $2.5 million Non-Revolving Note agreement with United Bank, Inc. This six-year agreement gave the Company access to a $2.5 million line of credit ("Equipment Line of Credit"), specifically for the purchase of equipment, for the period of one year with an interest rate of 5.0%. After the first year, all borrowings against the Equipment Line of Credit will be converted to a five-year term note agreement with an interest rate of 5.0%. As of December 31, 2016, the Company had borrowed $2.46 million against this line of credit and made principal payments of $109,000.

On March 30, 2016, the Company entered into a financing agreement ("Operating Line of Credit (2016)") with United Bank, Inc. to provide the Company with a $15.0 million revolving line of credit. The interest rate on the line of credit is the "Wall Street Journal" Prime Rate (the index) with a floor of 6.0%. The effective date of this agreement was February 27, 2016 and it replaced the $10.0 million revolving line of credit ("Operating Line of Credit (2015)") entered into with United Bank, Inc. on February 27, 2015. The Company had borrowed $6.0 million against the Operating Line of Credit (2016) as of September 30, 2016, and repaid $4.5 million for an outstanding balance of $1.5 million at December 31, 2016. The Company repaid the remaining $1.5 million subsequent to December 31, 2016, and does not anticipate additional borrowings until the spring construction season. The Operating Line of Credit (2016) expires on February 27, 2017; however, the Company expects to sign a one year renewal with United Bank, Inc. with the same terms as the current agreement.

First Quarter Overview

The following is an overview of results from operations for the three months ended December 31, 2016 and 2015.

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015
Continuing Operations		
Revenue	$ 37,496,872	$ 34,374,091
Cost of revenues	32,812,085	30,734,450
Gross profit	4,684,787	3,639,641
Selling & administrative expenses	2,195,610	2,184,626
Income from operations	2,489,177	1,455,015
Other expense	(275,408)	(213,328)
Income before tax	2,213,769	1,241,687
Income tax expense	975,112	542,831
Net income from continuing operations	1,238,657	698,856
Dividends on preferred stock	77,250	77,250
Net income from continuing operations available to common shareholders	$ 1,161,407	$ 621,606
Discontinued Operations		
Revenue	$ -	$ -
Cost of revenues	-	-
Gross profit	-	-
Selling & administrative expenses	-	-
Income from operations	-	-
Other expense	-	-
Income before income tax	-	-
Income tax benefit	-	-
Net income from discontinued operations	$ -	$ -

Results of Operations for the Three Months Ended December 31, 2016 Compared to the Three Months Ended December 31, 2015

Revenues. Total revenues from continuing operations increased by $3.1 million or 9.1% to $37.5 million for the three months ended December 31, 2016 from $34.4 million for the same period in 2015. The increase was primarily attributable to a $7.1 million revenue increase in petroleum and gas work, partially offset by a $2.6 million revenue decrease in electrical and mechanical services, and a $1.4 million revenue decrease in water and sewer projects and other ancillary services. The Company had no revenue from discontinued operations for the three months ended December 31, 2016 and 2015.

Cost of Revenues. Total cost of revenues from continuing operations increased by $2.1 million or 6.8% to $32.8 million for the three months ended December 31, 2016 from $30.7 million for the same period in 2015. The increase was primarily attributable to a $5.9 million cost increase in petroleum and gas work, partially offset by a $2.7 million cost decrease in electrical and mechanical services, a $500,000 cost decrease in water and sewer projects and other ancillary services, and a $600,000 cost decrease in equipment and tool shop operations not allocated to projects. There was no cost of revenues from discontinued operations for the three months ended December 31, 2016 and 2015.

Gross Profit. Total gross profit from continuing operations increased by $1.1 million or 28.7% to $4.7 million for the three months ended December 31, 2016, from $3.6 million for the same period in 2015. The increase was primarily attributable to a $1.2 million gross profit increase in petroleum and gas work, a $100,000 gross profit increase in electrical and mechanical services and a $600,000 gross profit increase related to equipment and tool shop operations costs not allocated to projects, partially offset by a $800,000 gross profit decrease in water and sewer projects and other ancillary services. There were no gross profits from discontinued operations for the three months ended December 31, 2016 and 2015.

Selling and administrative expenses. Total selling and administrative expenses from continuing operations increased by $11,000 or 0.5% to $2.2 million for the three months ended December 31, 2016 as compared to the same period in 2015. There were no selling and administrative expenses for discontinued operations for the three months ended December 31, 2016 and 2015. The Company believes that any ongoing costs associated with closing discontinued operations will be immaterial.

Interest Expense. Interest expense decreased by $2,000 or 1.1% to $231,000 for the three months ended December 31, 2016 from $233,000 for the same period in 2015.

Net Income. Income from continuing operations before income taxes was $2.2 million for the three months ended December 31, 2016, compared to $1.2 million for the same period in 2015. The increase was due to the items mentioned above. There was no income from discontinued operations for the three months ended December 31, 2016 and 2015.

Income tax expense for the three months ended December 31, 2016 was $975,000 compared to $543,000 for the same period in 2015. The increase in income tax expense was due to the increase in income from continuing operations before income taxes. The effective income tax rate for the three months ended December 31, 2016 was 44.0%, as compared to 43.7% for the same period in 2015.

Accrued dividends on preferred stock for the three months ended December 31, 2016 and 2015 were $77,000.

Net income available to common shareholders for the three months ended December 31, 2016 was $1.2 million, as compared to $622,000 for the same time period in 2015.

Comparison of Financial Condition at December 31, 2016 and September 30, 2016

The Company had total assets of $50.0 million at December 31, 2016, a decrease of $6.4 million from the prior fiscal year end balance of $56.4 million. Cash and cash equivalents totaled $7.0 million at December 31, 2016, an increase of $3.2 million from the prior fiscal year end balance of $3.8 million. This increase was primarily due to the decrease in accounts receivable, partially offset by $4.5 million in repayments against the Operating Line of Credit (2016). Accounts receivable, which totaled $15.1 million at December 31, 2016, decreased by $9.0 million from the prior fiscal year end balance of $24.1 million. The decrease was due to projects nearing completion at December 31, 2016 or completed during the quarter ended December 31, 2016. Retainages receivable totaled $6.2 million at December 31, 2016, an increase of $341,000 from the prior fiscal year end balance of $5.8 million. The majority of the retainages receivable is expected to be collected in the Company's second and third quarters of fiscal year 2017. The Company also had net fixed assets of $13.3 million at December 31, 2016, an increase of $555,000 from prior fiscal year end balance of $12.7 million. This increase was due to equipment purchases of $1.3 million partially offset by depreciation of $678,000. Estimated earnings in excess of billings on uncompleted contracts totaled $4.7 million at December 31, 2016, a decrease of $1.3 million from the prior fiscal year end balance of $6.0 million. The decrease was due to projects nearing completion at December 31, 2016 or completed during the quarter ended December 31, 2016.

The Company had total liabilities of $26.3 million at December 31, 2016, a decrease of $7.6 million from the prior fiscal year end balance of $33.9 million. Long-term debt totaled $6.6 million at December 31, 2016, a decrease of $774,000 from the prior fiscal year end balance of $7.4 million. The decrease in long-term debt was due to principal repayments on debt. Current maturities of long-term debt totaled $2.9 million at December 31, 2016, an increase of $62,000 from the prior fiscal year end balance of $2.9 million. Lines of credit and short-term borrowings totaled $1.5 million at December 31, 2016, a decrease of $4.7 million from the prior fiscal year end balance of $6.2 million. This decrease was primarily due to $4.5 million in repayments against the Operating Line of Credit (2016). In total, short-term debt at December 31, 2016 was $4.4 million, a decrease of $4.7 million from the prior fiscal year end balance of $9.1 million. Accounts payable and accrued expenses totaled $8.3 million at December 31, 2016, a decrease of $2.6 million from the prior fiscal year end balance of $10.9 million. The decrease was due to projects nearing completion at December 31, 2016 or completed during the quarter ended December 31, 2016.

Shareholders' equity was $23.7 million at December 31, 2016, an increase of $1.2 million from the prior fiscal year end balance of $22.5 million. This increase was due to the net income available to common shareholders of $1.2 million for the three months ended December 31, 2016.

Liquidity and Capital Resources

Indebtedness

On January 31, 2014, the Company entered into a financing arrangement with United Bank, Inc. (West Virginia) and Summit Community Bank (West Virginia). The financing arrangement is a five-year term loan in the amount of $8.8 million and bears interest at an annual rate of 6.50%. In addition, the Company entered into a separate five-year term loan agreement with First Guaranty Bank (Louisiana) for $1.6 million and bears interest at an annual rate of 3.55%. Taken together, the $10.4 million in new financings supersedes the prior financing arrangements the Company had with United Bank as well as the other lenders. As a result of entering into the new financings, United Bank and the other lenders of the Company agreed to terminate their Forbearance Agreement with the Company. This was reported in the Company's February 4, 2014 Form 8-K filing.

Under the terms of the financing agreement reached January 31, 2014, the Company must meet the following loan covenants:

1. Minimum tangible net worth of $10.0 million to be measured quarterly
2. Minimum traditional debt service coverage of 1.50x to be measured quarterly on a rolling twelve-month basis
3. Minimum current ratio of 1.30x to be measured quarterly
4. Maximum debt to tangible net worth ratio ("TNW") to be measured semi-annually on the following basis:

Date	Debt to TNW
6/30/2016	1.50x
Thereafter	1.50x

On July 31, 2014, the bank group modified the calculation of the debt service coverage covenant in the loan agreement so that the Company is required to maintain a minimum debt service coverage ratio of no less than 1.50 to 1.0x tested quarterly, as of the end of each fiscal quarter, based upon the preceding four quarters. Debt service coverage will be defined as the ratio of cash flow (net income plus depreciation, amortization and interest expense, plus or minus one-time/non-recurring income and expenses (determined at the bank group's sole discretion)) divided by the annualized debt service requirements on the Company's senior secured term debt (post refinance), actual interest paid on the Company's senior secured revolving credit facility and the annualized payments on any other debt outstanding.

This modification applied as of June 30, 2014, as well as for future periods. The Company is in compliance with all loan covenants at December 31, 2016.

On December 16, 2014, the Company's Nitro Electric subsidiary entered into a 20 year $1.2 million loan agreement with First Bank of Charleston, Inc. (West Virginia) to purchase the office building and property it had previously been leasing for $6,300 monthly. The interest rate on the new loan agreement is 4.75% with monthly payments of $7,800.

On September 16, 2015, the Company entered into a $1.2 million 41-month term note agreement with United Bank, Inc. to refinance the five-year term note agreement with First Guaranty Bank. The new agreement has an interest rate of 5.0% and is subject to the terms of the January 31, 2014 Term Note agreement discussed above.

Also on September 16, 2015, the Company entered into a $2.5 million Non-Revolving Note agreement with United Bank, Inc. This six-year agreement gave the Company access to a $2.5 million line of credit (“Equipment Line of Credit”), specifically for the purchase of equipment, for the period of one year with an interest rate of 5.0%. After the first year, all borrowings against the Equipment Line of Credit will be converted to a five-year term note agreement with an interest rate of 5.0%. This agreement is subject to the terms of the January 31, 2014 Term Note agreement discussed above. At December 31, 2016, the Company had borrowed $2.46 million against this line of credit and made principal payments of $109,000.

On November 13, 2015, the Company entered into a 10-year $1.1 million loan agreement with United Bank, Inc. to purchase the fabrication shop and property Nitro Electric had previously been leasing for $12,900 each month. The interest rate on the new loan agreement is 4.25% with monthly payments of $11,500.

Operating Line of Credit

On March 30, 2016, the Company entered into a financing agreement (“Operating Line of Credit (2016)”) with United Bank, Inc. to provide the Company with a $15.0 million revolving line of credit. The interest rate on the line of credit is the “Wall Street Journal” Prime Rate (the index) with a floor of 6.0%. The effective date of this agreement was February 27, 2016 and it replaced the $10.0 million revolving line of credit (“Operating Line of Credit (2015)”) entered into with United Bank, Inc. on February 27, 2015. The Company had borrowed $6.0 million against the Operating Line of Credit (2016) as of September 30, 2016, and repaid $4.5 million for an outstanding balance of $1.5 million at December 31, 2016. The Company repaid the remaining $1.5 million subsequent to December 31, 2016, and does not anticipate additional borrowings until the spring construction season. The Operating Line of Credit (2016) expires on February 27, 2017; however, the Company expects to sign a one year renewal with United Bank, Inc. with the same terms as the current agreement.

Cash available under the Operating Line of Credit (2016) is calculated based on 70.0% of the Company’s eligible accounts receivable. Major items excluded from the calculation are receivables from bonded jobs and retainage as well as items greater than 90 days old. Under the terms of the agreement, the Company must meet the following loan covenants to access the first $12.5 million:

1. Minimum tangible net worth of $17.0 million to be measured quarterly
2. Minimum traditional debt service coverage of 1.50x to be measured quarterly on a rolling twelve-month basis
3. Minimum current ratio of 1.50x to be measured quarterly
4. Maximum debt to tangible net worth ratio (“TNW”) of 1.50x to be measured semi-annually.

Under the terms of the Operating Line of Credit (2016), the Company must meet the following additional requirements for draw requests causing the borrowings to exceed $12.5 million:

1. Minimum tangible net worth of $19.0 million to be measured quarterly
2. Minimum traditional debt service coverage of 2.0x to be measured quarterly on a rolling twelve-month basis
3. Full review of accounts receivable aging report and work in progress. The results of the review shall be satisfactory to the lender in its sole and unfettered discretion.

The Company was in compliance with all covenants and additional requirements for the $15.0 million Operating Line of Credit (2016) at December 31, 2016.

Off-Balance Sheet Arrangements

Due to the nature of our industry, we often enter into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected in our balance sheets. Though for the most part not material in nature, some of these are:

Leases

Our work often requires us to lease various facilities, equipment and vehicles. These leases usually are short-term in nature, with duration of one year or less, though at times we may enter into longer term leases when warranted. By leasing equipment, vehicles and facilities, we are able to reduce our capital outlay requirements for equipment, vehicles and facilities that we may only need for short periods of time. As of December 31, 2016, the Company had operating lease commitments of $155,000 with various expiration dates through May 2018.

Letters of Credit

Certain of our customers or vendors may require letters of credit to secure payments that the vendors are making on our behalf or to secure payments to subcontractors and vendors on various customer projects. At December 31, 2016, the Company did not have any letters of credit outstanding.

Performance Bonds

Some customers, particularly new ones or governmental agencies, require the Company to post bid bonds, performance bonds and payment bonds (collectively, performance bonds). These bonds are obtained through insurance carriers and guarantee to the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. If the Company fails to perform under a contract or to pay subcontractors and vendors, the customer may demand that the insurer make payments or provide services under the bond. The Company must reimburse the insurer for any expenses or outlays it is required to make.

In February 2014, the Company entered into an agreement with a surety company to provide bonding which will suit the Company’s immediate needs. The ability to obtain bonding for future contracts is an important factor in the contracting industry with respect to the type and number of contracts that can be bid.

Depending upon the size and conditions of a particular contract, the Company may be required to post letters of credit or other collateral in favor of the insurer. Posting of these letters or other collateral will reduce our borrowing capabilities. The Company does not anticipate any claims against outstanding performance bonds in the foreseeable future. At December 31, 2016, the Company had $14.9 million in performance bonds outstanding.

Concentration of Credit Risk

In the ordinary course of business, the Company grants credit under normal payment terms, generally without collateral, to our customers, which include natural gas and oil companies, general contractors, and various commercial and industrial customers located within the United States. Consequently, the Company is subject to potential credit risk related to business and economic factors that would affect these companies. However, the Company generally has certain statutory lien rights with respect to services provided. Under certain circumstances such as foreclosure, the Company may take title to the underlying assets in lieu of cash in settlement of receivables.

The Company had two customers that exceeded 10.0% of revenues for the three months ended December 31, 2016. The two customers, Marathon Petroleum and EQT, represented 24.5% and 19.2% of revenues, respectively. The Company had two customers, Marathon Petroleum and Alcon Research, which represented 21.3% and 12.4% of receivables net of retention, respectively, at December 31, 2016. The Company had two customers that exceeded 10.0% of revenues for the three months ended December 31, 2015. These two customers, Marathon Petroleum and Rice Energy, represented 14.1% and 15.3% of revenues, respectively. No customers accounted for more than 10% of receivables net of retention at December 31, 2015.

The Company's consolidated operating revenues for the three months ended December 31, 2016 were $37.5 million of which 57.5% was attributable to gas and petroleum contract work, 35.8% to electrical and mechanical contract services and 6.7% to water and sewer contract installations and other ancillary services. The Company's consolidated operating revenues for the three months ended December 31, 2015 were $34.4 million of which 42.2% was attributable to gas and petroleum contract work, 46.5% to electrical and mechanical contract services and 11.3% to water and sewer contract installations and other ancillary services.

Litigation

The Company is a party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims, and proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. At December 31, 2016, the Company does not believe that any of these proceedings, separately or in aggregate, would be expected to have a material adverse effect on our financial position, results of operations or cash flows.

Related Party Transactions

We intend that all transactions between us and our executive officers, directors, holders of 10% or more of the shares of any class of our common stock and affiliates thereof, will be on terms no less favorable than those terms given to unaffiliated third parties and will be approved by a majority of our independent outside directors not having any interest in the transaction.

On December 16, 2014, the Company's Nitro Electric subsidiary entered into a 20-year $1.2 million loan agreement with First Bank of Charleston, Inc. (West Virginia) to purchase the office building and property it had previously been leasing for $6,300 each month. Mr. Douglas Reynolds, President of Energy Services, is a director and secretary of First Bank of Charleston. Mr. Nester Logan and Mr. Samuel Kapourales, directors of Energy Services, are also directors of First Bank of Charleston. The interest rate on the new loan agreement is 4.75% with monthly payments of $7,800. As of December 31, 2016, we have paid approximately $75,000 in principal and approximately $113,000 in interest since the beginning of the loan.

There were no new material related party transactions during the three months ended December 31, 2016.

Inflation

Due to relatively low levels of inflation during the three months ended December 31, 2016 and 2015, inflation did not have a significant effect on our results.

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates. Management believes the following accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Claims. Claims are amounts in excess of the agreed contract price that a contractor seeks to collect from customers or others for customer-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. The Company records revenue on claims that have a high probability of success. Revenue from a claim is recorded only to the extent that contract costs relating to the claim have been incurred.

Revenue Recognition. Revenues from fixed price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date of total estimated costs at completion. These contracts provide for a fixed amount of revenues for the entire project. Such contracts provide that the customer accept completion of progress to date and compensate us for services rendered, measured in terms of units installed, hours expended or some other measure of progress. Contract costs include all direct material, labor and subcontract costs and indirect costs related to contract performance, such as indirect labor, tools and expendables. The cost estimates are based on the professional knowledge and experience of the Company's engineers, project managers and financial professionals. Changes in job performance and job conditions affect the total estimated costs at completion. The effects of these changes are recognized in the period in which they occur. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. The current asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed for fixed price contracts. The current liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized for fixed price contracts. Revenues on all costs plus and time and material contracts are recognized when services are performed or when units are completed.

Self-Insurance. The Company carries workers' compensation, general liability and automobile insurance through a captive insurance company. While the Company believes that this arrangement has been beneficial in reducing and stabilizing insurance costs, the Company does have to maintain a restricted cash account to guarantee payments of premiums. That restricted account had a balance of $1.6 million as of December 31, 2016, and is classified as "Prepaid expenses and other" on the Company's Consolidated Balance Sheets. Should the Company experience severe losses over an extended period, it could have a detrimental effect on the Company, notwithstanding the captive insurance company.

Accounts Receivable and Provision for Doubtful Accounts. The Company provides an allowance for doubtful accounts when collection of an account is considered doubtful. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates relating to factors such as a customer's access to capital, the customer's willingness or ability to pay, general economic conditions and the ongoing relationship with the customer. While most of our customers are large well capitalized companies, should they experience material changes in their revenues and cash flows or incur other difficulties and become unable to pay the amounts owed, this could cause reduced cash flows and losses in excess of our current reserves. At December 31, 2016, management concluded that the allowance for doubtful accounts was adequate.

Outlook

The following statements are based on current expectations. These statements are forward looking, and actual results may differ materially.

The Company prepares weekly cash forecasts for our own benefit and for submission to our lenders. We anticipate that our current cash and the cash to be generated from collection of our receivables along with the existing Operating Line of Credit (2016), or subsequent renewal, with United Bank, Inc. will be adequate to meet our cash needs for the Company's 2017 fiscal year. The Company may borrow against the line of credit provided it meets certain borrowing base requirements, with $15.0 million being the maximum allowed. If the Company has borrowed more than the borrowing base allows, the Company must repay the excess borrowings to United Bank, Inc. As of December 31, 2016, the Company had borrowings of $1.5 million against the Operating Line of Credit (2016). The Company repaid the remaining $1.5 million subsequent to December 31, 2016, and does not anticipate additional borrowings until the spring construction season. The Operating Line of Credit (2016) expires on February 27, 2017; however, the Company expects to sign a one year renewal with United Bank, Inc. with the same terms as the current agreement.

Currently, the Company is experiencing increased demand for its services. However, with potential uncertainties in the economy, for example a long-term reduction in the price of oil, the demand for our customers' projects could wane and their ability to fund planned projects could be reduced. The Company's backlog at December 31, 2016 was $81.2 million. While adding additional projects appears likely, no assurances can be given that the Company will be successful in bidding on projects that become available. Moreover, even if the Company obtains contracts, there can be no guarantee that the projects will go forward.

ITEM 3. Quantitative and Quantitative Disclosures About Market Risk

Not required for a smaller reporting company.

ITEM 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that Energy Services of America Corporation files or submits under the Securities Exchange Act of 1934, is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in Energy Services of America Corporation’s internal control over financial reporting during Energy Services of America Corporation’s first quarter of fiscal year 2017 that has materially affected, or is reasonably likely to materially affect, Energy Services of America Corporation’s internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is a party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims, and proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. At December 31, 2016, we do not believe that any of these proceedings, separately or in aggregate, would be expected to have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. Risk Factors

Please see the information disclosed in the “Risk Factors” section of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on December 15, 2016. There have been no material changes to the risk factors since the filing of the Annual Report on Form 10-K.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) There have been no unregistered sales of equity securities during the period covered by the report.

(b) None.

(c) Energy Services of America Corporation did not repurchase any shares of its common stock during the relevant period.

ITEM 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

ENERGY SERVICES OF AMERICA CORPORATION

Date: February 13, 2017	By:/s/ Douglas V. Reynolds Douglas V. Reynolds Chief Executive Officer
Date February 13, 2017	By:/s/ Charles P. Crimmel Charles P. Crimmel Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Douglas V. Reynolds, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energy Services of America Corporation;

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

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

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

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

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

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

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

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

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

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

Date: February 13, 2017

/s/ Douglas V. Reynolds
Douglas V. Reynolds
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Charles P. Crimmel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energy Services of America Corporation;

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

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

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

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

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

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

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

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

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

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

Date: February 13, 2017

/s/ Charles P. Crimmel
Charles P. Crimmel
Chief Executive Officer

Exhibit 32

Certification pursuant to
18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Douglas V. Reynolds, Chief Executive Officer and Charles P. Crimmel, Chief Financial Officer of Energy Services of America Corporation (the "Company") each certify in their capacity as officers of the Company that they have reviewed this Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, and that to the best of their knowledge:

1. the report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2017

/s/ Douglas V. Reynolds
Douglas V. Reynolds
Chief Executive Officer

Date: February 13, 2017

/s/ Charles P. Crimmel
Charles P. Crimmel
Chief Executive Officer