

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For Quarter Ended: September 30, 1996
Commission File No. 0-422

MIDDLESEX WATER COMPANY
(Exact name of registrant as specified in its charter)

INCORPORATED IN NEW JERSEY
(State or other jurisdiction of
incorporation or organization)

22-1114430
(I.R.S. Employer
Identification No.)

1500 RONSON ROAD, ISELIN, NJ
(Address of principal executive offices)

08830
(Zip Code)

(908) 634-1500
(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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that this registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 30 days.

YES NO

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 1996
Common Stock, No Par Value	4,190,378

PART I. - FINANCIAL INFORMATION

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
Operating Revenues	\$ 9,934,128	\$10,446,934	\$28,812,929	\$28,794,578
Operating Expenses:				
Operation and Maintenance	4,614,937	4,428,294	13,886,710	13,050,296
Depreciation	737,088	716,860	2,187,608	2,088,248
Taxes, other than Income Taxes	1,438,272	1,483,365	4,229,269	4,200,353
Federal Income Taxes	747,978	1,029,891	1,960,024	2,412,200
Total Operating Expenses	7,538,275	7,658,410	22,263,611	21,751,097

Utility Operating Income	2,395,853	2,788,524	6,549,318	7,043,481
Other Income(Expense)-Net	(86,483)	(90,599)	(134,256)	(99,793)
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Income Before Interest Charges	2,309,370	2,697,925	6,415,062	6,943,688
Interest Charges	815,756	775,952	2,460,851	2,302,088
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Net Income	1,493,614	1,921,973	3,954,211	4,641,600
Preferred Stock Dividend Requirements	39,732	39,731	119,195	119,200
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Earnings Applicable to Common Stock	\$ 1,453,882	\$ 1,882,242	\$ 3,835,016	\$ 4,522,400
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Earnings per Share of Common Stock	\$0.35	\$0.46	\$0.92	\$1.11
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Average Number of Common Shares Outstanding	4,179,249	4,095,254	4,160,075	4,063,197
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Cash Dividends Paid per Common Share	\$0.27 1/2	\$0.27	\$0.82 1/2	\$0.81

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	September 30, 1996	December 31, 1995
	(Unaudited)	
UTILITY PLANT:		
Water Production	\$ 28,113,797	\$ 27,598,613
Transmission and Distribution	100,238,955	97,359,802
General	18,236,077	18,169,056
Construction Work in Progress	1,373,774	1,207,538
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TOTAL	147,962,603	144,335,009
Less Accumulated Depreciation	28,068,139	26,402,377
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UTILITY PLANT-NET	119,894,464	117,932,632
	<hr/>	<hr/>
NONUTILITY ASSETS-NET	1,728,496	1,735,048
	<hr/>	<hr/>
CURRENT ASSETS:		
Cash and Cash Equivalents	3,858,968	4,900,640
Marketable Securities	1,548	1,548
Temporary Cash Investments-Restricted	78,844	77,190
Accounts Receivable(net of allowance for doubtful accounts)	4,275,983	4,224,653
Unbilled Revenues	2,396,343	2,170,143
Materials and Supplies(at average cost)	1,088,314	1,030,801
Prepayments	547,291	584,124
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TOTAL CURRENT ASSETS	12,247,291	12,989,099
	<hr/>	<hr/>
DEFERRED CHARGES:		
Regulatory Assets	7,373,233	7,160,533
Unamortized Debt Expense	2,878,584	2,969,281
Preliminary Survey and Investigation Charges	1,192,284	833,869
Other	1,630,934	1,201,745
	<hr/>	<hr/>
TOTAL DEFERRED CHARGES	13,075,035	12,165,428
	<hr/>	<hr/>
TOTAL	\$146,945,286	\$144,822,207
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See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	September 30, 1996	December 31, 1995
	<u>(Unaudited)</u>	<u></u>
CAPITALIZATION(see accompanying statements)	\$104,307,675	\$103,269,966
CURRENT LIABILITIES:		
Accounts Payable	1,582,389	1,521,515
Current Portion of Long-term Debt	240,000	240,000
Customer Deposits	369,293	348,631
Taxes Accrued	4,699,738	4,321,919
Interest Accrued	470,693	1,216,851
Other	1,469,060	1,161,630
	<u>8,831,173</u>	<u>8,810,546</u>
TOTAL CURRENT LIABILITIES	8,831,173	8,810,546
DEFERRED CREDITS:		
Customer Advances for Construction	9,042,102	9,207,565
Accumulated Deferred Investment Tax Credits	2,326,655	2,380,416
Accumulated Deferred Federal Income Taxes	11,786,363	11,147,627
Other	2,011,733	1,985,654
	<u>25,166,853</u>	<u>24,721,262</u>
TOTAL DEFERRED CREDITS	25,166,853	24,721,262
CONTRIBUTIONS IN AID OF CONSTRUCTION	8,639,585	8,020,433
	<u>8,639,585</u>	<u>8,020,433</u>
TOTAL	<u>\$146,945,286</u>	<u>\$144,822,207</u>

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	September 30, 1996	December 31, 1995
	(Unaudited)	
CAPITALIZATION:		
Common Stock, No Par Value		
Authorized, 6,000,000 Shares		
Outstanding Shares - 1996, 4,190,378		
1995, 4,136,972	\$ 29,693,763	\$ 28,820,844
Retained Earnings	19,227,607	18,822,817
TOTAL COMMON EQUITY	48,921,370	47,643,661
Cumulative Preference Stock, No Par Value		
Authorized, 100,000 Shares; Outstanding, None		
Cumulative Preferred Stock, No Par Value,		
Authorized, 69,418 Shares		
Convertible:		
Outstanding, \$7 Series - 14,901 Shares	1,564,605	1,564,605
Nonredeemable:		
Outstanding, \$7 Series - 1,017 Shares	101,700	101,700
Outstanding, \$4.75 Series - 10,000 Shares	1,000,000	1,000,000
TOTAL CUMULATIVE PREFERRED STOCK	2,666,305	2,666,305
Long-term Debt:		
8.02% Amortizing Secured Note,		
due December 20, 2021	2,500,000	2,500,000
7.00% Promissory Notes, due April 21, 2000	960,000	1,200,000
First Mortgage Bonds:		
7.25%, Series R, due July 1, 2021	6,000,000	6,000,000
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
SUBTOTAL LONG-TERM DEBT	52,960,000	53,200,000
Less: Current Portion of Long-term Debt	(240,000)	(240,000)
TOTAL LONG-TERM DEBT	52,720,000	52,960,000
TOTAL CAPITALIZATION	\$104,307,675	\$103,269,966
	Nine Months Ended September 30, 1996	Year Ended December 31, 1995
	(Unaudited)	
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$ 18,822,817	\$ 17,699,422
Net Income	3,954,211	5,703,744
TOTAL	22,777,028	23,403,166
Cash Dividends:		
Cumulative Preferred Stock	119,195	158,497
Common Stock	3,430,226	4,421,852
TOTAL DEDUCTIONS	3,549,421	4,580,349
BALANCE AT END OF PERIOD	\$ 19,227,607	\$ 18,822,817

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended 1996	September 30, 1995
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 3,954,211	\$ 4,641,600
Adjustments To Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,252,913	2,173,664
Provision for Deferred Income Taxes	638,736	238,643
Allowance for Funds Used During Construction	(37,458)	(22,764)
Changes in Current Assets and Liabilities:		
Accounts Receivables	(51,330)	(363,104)
Materials and Supplies	(57,513)	(107,064)
Accounts Payable	60,874	(299,873)
Accrued Income Taxes	377,819	438,621
Accrued Interest	(746,158)	(196,486)
Unbilled Revenues	(226,200)	(532,700)
Other-Net	159,759	98,108
	<u> </u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,325,653	6,068,645
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures	(4,108,309)	(6,790,753)
Notes Receivable	0	(1,250,000)
Marketable Securities	0	(54,279)
Preliminary Survey and Investigation Charges	(358,415)	(116,534)
Other-Net	(435,883)	178,304
	<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES	(4,902,607)	(8,033,262)
	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	(240,000)	0
Proceeds from Issuance of Long-term Debt	0	1,200,000
Deferred Debt Issuance Expenses	(251)	(8,000)
Temporary Cash Investments-Restricted	(1,654)	214,335
Proceeds from Issuance of Common Stock-Net	872,919	1,215,980
Payment of Preferred Dividends	(119,195)	(118,765)
Payment of Common Dividends	(3,430,226)	(3,288,494)
Customer Advances and Contributions-Net	453,689	(98,958)
Redemption of Preferred Stock	0	(123,800)
	<u> </u>	<u> </u>
NET CASH USED IN FINANCING ACTIVITIES	(2,464,718)	(1,007,702)
	<u> </u>	<u> </u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,041,672)	(2,972,319)
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,900,640	3,854,186
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,858,968	\$ 881,867
	<u> </u>	<u> </u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Period for:		
Interest(net of amounts capitalized)	\$ 2,867,452	\$ 2,162,361
Income Taxes	\$ 1,616,998	\$ 2,053,000

Excludes Allowance for funds Used During Construction.
See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Organization - Middlesex Water Company (Middlesex or the Company) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater), Pinelands Water Company, Pinelands Wastewater Company, and Utility Service Affiliates, Inc. (USA). White Marsh Environmental Systems, Inc., is a wholly-owned subsidiary of Tidewater. The financial statements for Middlesex and its wholly-owned subsidiaries (Consolidated Group) are reported on a consolidated basis.

The consolidated notes accompanying the 1995 Form 10-K are applicable to this report and, in the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 1996 and the results of operations and its cash flows for the periods ended September 30, 1996 and 1995. Information included in the Balance Sheet as of December 31, 1995 has been derived from the Company's audited financial statements included in its annual report on Form 10-K for the year ended December 31, 1995.

Note 2 - Regulatory Matters

On February 21, 1996, Pinelands Water and Wastewater Companies filed petitions with the New Jersey Board of Public Utilities (BPU) for increases in rates seeking overall increases in revenues of approximately \$0.6 million. The Pinelands Companies have requested phasing in the proposed rate increase over a three-year period to minimize the impact on customers. The increase is required to allow proper maintenance, development and improvement of the utility plant and to cover the additional costs of power, chemicals, insurance, labor, benefits, depreciation and taxes. A decision is expected in the fourth quarter of 1996.

On April 16, 1996, the Company filed a petition with the BPU seeking approval for a Purchased Water Adjustment Clause (PWAC). A PWAC is a regulatory vehicle that allows New Jersey water utilities to pass along to, or credit, customers changes in the cost of purchasing water, without the need for filing a full base rate case. On October 9, 1996, the Company received approval from the BPU to increase its PWAC rate, which will allow the Company to recover approximately \$.2 million in increased purchased water costs.

Note 3 - Capitalization

Common Stock - During the third quarter, 23,874 common shares (\$0.3 million) were issued under the Company's Restricted Stock Plan and the Dividend Reinvestment and Common Stock Purchase Plan.

Long-Term Debt - Subsequent to the end of the third quarter of 1996, Tidewater borrowed the remaining amount of \$1.0 million available through its amortizing secured term loan agreement resulting in a weighted fixed interest rate of 8.05% on the total \$3.5 million borrowed. Monthly principal payments will begin in January 1997 with the final payment due in December 2021.

MIDDLESEX WATER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO SEPTEMBER 30,
1995

Revenues decreased by 5% or \$0.5 million for the third quarter and remained stable for the first nine months of 1996. The decrease in the quarter is the result of lower consumption in New Jersey service territories partially offset by contract services rendered by Utility Service Affiliates, Inc., and increased revenues in Delaware operations, resulting from an increased customer base.

Operation and maintenance expenses increased 4.2% for the third quarter and 6.4% for the nine months ended September 30, 1996. This was the result of increased purchased water, chemicals, labor and the inclusion of Pinelands Water and Wastewater Companies for the entire nine month period in 1996. These increases were partially offset by decreases in purchased power, insurance and routine maintenance.

Depreciation expense for the third quarter and the first nine months of 1996 increased 2.8% and 4.8%, respectively. These increases reflect the full effect of the acquisition of the Pinelands Companies' fixed assets in April of 1995 and other plant additions of \$3.3 million since September 30, 1995.

Taxes, other than Income Taxes decreased 3.0% for the quarter due mainly to a decline in revenue based taxes. For the first nine months, there was an increase of less than 1.0%.

Federal Income Taxes decreased 27.4% for the quarter and 18.7% year-to-date due to a lower level of taxable income.

Interest expense for the third quarter and the first nine months of 1996 increased by 5.1% and 6.9%, respectively, as a result of the long-term financing by Tidewater in late 1995.

Capital Resources: The revised consolidated capital program for 1996 is estimated at \$7.0 million inclusive of \$4.2 million for routine capital expenditures and \$2.8 million for special plant additions. The \$4.2 million for routine plant items is comprised of \$1.4 million for mains, \$1.0 million for cleaning and lining, \$0.5 million for service lines, \$0.4 million for meters, and \$0.9 million for various other items. The \$2.8 million for special plant additions includes \$1.6 million for water systems additions and improvements in Delaware, \$0.8 million for plant modifications and improvements, \$0.2 million for improvements to the Pinelands Companies' systems, and \$0.2 million for miscellaneous items.

Liquidity: To finance the 1996 Capital Program, internally-generated cash and cash balances on hand at December 31, 1995 will be utilized. For the nine months ended September 30, 1996, \$4.1 million of capital expenditures have been incurred.

MIDDLESEX WATER COMPANY

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings
None
- Item 2. Changes in Securities
None
- Item 3. Defaults upon Senior Securities
None
- Item 4. Submission of Matters to a Vote of Security Holders
None.
- Item 5. Other Information
None
- Item 6. Exhibits and Reports on Form 8-K
Exhibits - 27 Financial Data Schedule
Reports on Form 8-K - None

SIGNATURE

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

MIDDLESEX WATER COMPANY
(Registrant)

Date: November 13, 1996

/A. Bruce O'Connor/
A. Bruce O'Connor
Vice President and Controller

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MIDDLESEX WATER COMPANY

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	PER-BOOK
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22,263,611	
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