

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, 1995

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, 1995:  
Common Stock, No Par Value 4,111,826

PART I. - FINANCIAL INFORMATION

MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENT OF INCOME  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994
Operating Revenues	\$10,446,934	\$ 9,456,581	\$28,794,578	\$27,222,270
Operating Expenses:				
Operation and Maintenance	4,428,294	4,207,237	13,050,296	12,481,499
Depreciation	716,860	662,687	2,088,248	1,967,448
Taxes, other than Income Taxes	1,483,365	1,375,879	4,200,353	4,018,014
Federal Income Taxes	1,029,891	759,909	2,412,200	2,116,631
Total Operating Expenses	7,658,410	7,005,712	21,751,097	20,583,592
Utility Operating Income	2,788,524	2,450,869	7,043,481	6,638,678
Other Income(Expense)-Net	(90,599)	(34,804)	(99,793)	7,924

Income before Interest Charges	2,697,925	2,416,065	6,943,688	6,646,602
Interest Charges	775,952	798,718	2,302,088	2,301,451
Net Income	1,921,973	1,617,347	4,641,600	4,345,151
Preferred Stock Dividend Requirements	39,731	42,327	119,200	146,173
Earnings Applicable to Common Stock	\$ 1,882,242	\$ 1,575,020	4,522,400	4,198,978
Earnings per Share of Common Stock	\$0.46	\$0.39	\$1.11	\$1.05
Average Number of Common Shares Outstanding	4,095,254	4,010,830	4,063,197	3,996,244
Cash Dividends Paid per Common Share	\$0.27	\$0.26 1/4	\$0.81	\$0.78 3/4

See Notes to Consolidated Financial Statements

MIDDLESEX WATER COMPANY  
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	September 30, 1995	December 31, 1994
	(Unaudited)	
UTILITY PLANT:		
Water Production	\$ 27,558,204	\$ 25,612,023
Transmission and Distribution	96,329,038	93,334,300
General	18,060,094	11,202,947
Construction Work in Progress	818,843	262,249
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TOTAL	142,766,179	130,411,519
Less Accumulated Depreciation	26,310,465	21,668,506
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UTILITY PLANT-NET	116,455,714	108,743,013
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NONUTILITY PROPERTY-NET	1,737,232	400,209
	<hr/>	<hr/>
CURRENT ASSETS:		
Cash and Cash Equivalents	881,867	3,854,186
Marketable Securities	987,577	933,298
Accounts Receivable(net of allowance for doubtful accounts)	4,599,904	4,236,800
Unbilled Revenues	2,676,495	2,143,795
Materials and Supplies(at average cost)	1,098,180	991,116
Prepayments	594,170	503,808
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	10,838,193	12,663,003
	<hr/>	<hr/>
DEFERRED CHARGES:		
Regulatory Assets	6,028,531	5,818,530
Unamortized Debt Expense	2,999,514	3,082,420
Preliminary Survey and Investigation Charges	769,862	653,328
Other	843,835	1,052,255
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TOTAL DEFERRED CHARGES	10,641,742	10,606,533
	<hr/>	<hr/>
TOTAL	\$139,672,881	\$132,412,758
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See Notes to Consolidated Financial Statements

MIDDLESEX WATER COMPANY  
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	September 30, 1995	December 31, 1994
	<u>(Unaudited)</u>	<u></u>
CAPITALIZATION(see accompanying statements)	\$100,427,721	\$ 97,141,200
CURRENT LIABILITIES:		
Accounts Payable	1,317,072	1,616,945
Notes Payable-Current Portion	240,000	0
Customer Deposits	341,381	308,174
Taxes Accrued	4,882,993	4,444,372
Interest Accrued	937,737	1,134,223
Other	924,495	877,283
	<u>8,643,678</u>	<u>8,380,997</u>
TOTAL CURRENT LIABILITIES	8,643,678	8,380,997
DEFERRED CREDITS:		
Customer Advances for Construction	8,928,145	9,199,363
Accumulated Deferred Investment Tax Credits	2,398,335	2,452,096
Accumulated Deferred Federal Income Taxes	10,005,884	9,767,241
Other	1,952,363	1,312,961
	<u>23,284,727</u>	<u>22,731,661</u>
TOTAL DEFERRED CREDITS	23,284,727	22,731,661
CONTRIBUTIONS IN AID OF CONSTRUCTION	7,316,755	4,158,900
	<u>7,316,755</u>	<u>4,158,900</u>
TOTAL	<u>\$139,672,881</u>	<u>\$132,412,758</u>

See Notes to Consolidated Financial Statements

MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	September 30, 1995	December 31, 1994
	(Unaudited)	
<b>CAPITALIZATION:</b>		
Common Stock, No Par Value		
Authorized, 6,000,000 Shares		
Outstanding Shares-1995, 4,111,826		
1994, 4,030,834	\$ 28,367,653	\$ 27,151,673
Retained Earnings	18,933,763	17,699,422
<b>TOTAL COMMON EQUITY</b>	<b>47,301,416</b>	<b>44,851,095</b>
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-1995, 1,017 Shares		
1994, 2,255 Shares	101,700	225,500
Outstanding, \$4.75 Series-10,000 Shares	1,000,000	1,000,000
<b>TOTAL CUMULATIVE PREFERRED STOCK</b>	<b>2,666,305</b>	<b>2,790,105</b>
Long-term Debt:		
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
7% Promissory Notes, due April 21, 1996-2000	1,200,000	0
<b>SUB-TOTAL LONG-TERM DEBT</b>	<b>50,700,000</b>	<b>49,500,000</b>
Less: Current Portion of Long-Term Debt	240,000	0
<b>TOTAL LONG-TERM DEBT</b>	<b>50,460,000</b>	<b>49,500,000</b>
<b>TOTAL CAPITALIZATION</b>	<b>\$100,427,721</b>	<b>\$ 97,141,200</b>
	Nine Months Ended September 30, 1995	Year Ended December 31, 1994
	(Unaudited)	
<b>RETAINED EARNINGS:</b>		
BALANCE AT BEGINNING OF PERIOD	\$ 17,699,422	\$ 16,615,466
Net Income	4,641,600	5,495,372
<b>TOTAL</b>	<b>22,341,022</b>	<b>22,110,838</b>
Cash Dividends:		
Cumulative Preferred Stock	118,765	180,006
Common Stock	3,288,494	4,231,410
<b>TOTAL DEDUCTIONS</b>	<b>3,407,259</b>	<b>4,411,416</b>
<b>BALANCE AT END OF PERIOD</b>	<b>\$ 18,933,763</b>	<b>\$ 17,699,422</b>



MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended 1995	September 30, 1994
	<u>                    </u>	<u>                    </u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 4,641,600	\$ 4,345,151
Adjustments To Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	2,088,248	1,967,448
Amortization of Deferred Charges	139,177	289,101
Provision for Deferred Income Taxes	238,643	540,010
Amortization of Investment Tax Credit	(53,761)	(53,761)
Allowance for Funds Used During Construction	(22,764)	0
Changes in Current Assets and Liabilities:		
Accounts Receivables	(363,104)	(225,761)
Materials and Supplies	(107,064)	(35,699)
Accounts Payable	(299,873)	(95,877)
Accrued Income Taxes	438,621	136,234
Accrued Interest	(196,486)	(516,146)
Unbilled Revenues	(532,700)	(212,300)
Other-Net	98,108	(53,387)
	<u>                    </u>	<u>                    </u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>6,068,645</b>	<b>6,085,013</b>
	<u>                    </u>	<u>                    </u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Utility Plant Expenditures	(6,790,753)	(3,129,068)
Marketable Securities	(54,279)	0
Note Receivable	(1,250,000)	0
Preliminary Survey and Investigation Charges	(116,534)	(63,238)
Other-Net	178,304	(294,205)
	<u>                    </u>	<u>                    </u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(8,033,262)</b>	<b>(3,486,511)</b>
	<u>                    </u>	<u>                    </u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Redemption of Long-term Debt	0	(12,500,000)
Issuance of Long-term Debt	1,200,000	25,000,000
Short-term Bank Borrowings (Repayments)	0	(9,000,000)
Long-term Debt Issuance Expense	(8,000)	(1,167,604)
Temporary Cash Investments-Restricted	214,335	2,193,776
Proceeds from Issuance of Common Stock	1,215,980	687,903
Payment of Preferred Dividends	(118,765)	(136,274)
Payment of Common Dividends	(3,288,494)	(3,145,376)
Customer Advances-Net	(98,958)	84,916
Redemption of Preferred Stock	(123,800)	(1,224,000)
	<u>                    </u>	<u>                    </u>
<b>NET CASH PROVIDED FROM FINANCING ACTIVITIES</b>	<b>(1,007,702)</b>	<b>793,341</b>
	<u>                    </u>	<u>                    </u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,972,319)</b>	<b>3,391,843</b>
	<u>                    </u>	<u>                    </u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,854,186</b>	<b>1,146,245</b>
	<u>                    </u>	<u>                    </u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 881,867</b>	<b>\$ 4,538,088</b>
	<u>                    </u>	<u>                    </u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash Paid During the Period for:		
Interest	\$ 2,162,361	\$ 2,722,327
Income Taxes	\$ 2,053,000	\$ 1,824,936

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

Consolidation - Middlesex Water Company (Middlesex or the Company) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater or Delaware), 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 are reported on a consolidated basis.

The consolidated notes accompanying the 1994 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, 1995 and the results of operations and its cash flows for the periods ended September 30, 1995 and 1994. Information included in the Balance Sheet as of December 31, 1994 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, 1994.

Note 2 - Regulatory Matters

On February 2, 1995, the Company filed a petition with the New Jersey Board of Public Utilities (BPU) seeking approval for a Purchased Water Adjustment Clause (PWAC) rate modification. A PWAC is a regulatory vehicle that allows New Jersey water utilities to pass along to, or credit, customers' account changes in the cost of purchasing water, without the need for filing a full base rate case. On July 13, 1995, the BPU approved the PWAC which resulted in a decrease of the PWAC rate from 1994. This decrease will not have a material effect on revenues.

Note 3 - Capitalization

Preferred Stock - During the first quarter, the Company purchased and retired 1,238 shares of the nonredeemable \$7.00 Series at the stated purchase price of \$100 per share.

Common Stock - During the third quarter, 40,123 common shares (\$0.5 million) were issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan and the Restricted Stock Plan.

Long-Term Debt - On September 13, 1995, Tidewater received approval from the Delaware Public Service Commission to borrow up to \$3.5 million through an amortizing secured term bank loan. The terms of the loan agreement provide for a maximum term of twenty five years from the initial advance with the interest rate fixed on the date of any advance by the bank. Tidewater has until December 31, 1996 to draw down the full proceeds of the available loan amount. On October 27, 1995, Tidewater received \$2.5 million at a rate of 8.02%.

Note 4 - Commitments

On April 21, 1995, the Company completed the asset purchase of a 2,200 customer water utility and a 2,200 customer wastewater utility in Burlington County, New Jersey. The newly acquired systems are called Pinelands Water Company and Pinelands Wastewater Company. These systems will not have a material impact on the Company's revenues and will require substantial rate increases to attain profitability.

On May 19, 1995, Middlesex and USA, jointly entered into a five-year contract with the City of South Amboy to operate and maintain the City's 2,800 customer water system. The Contract, which is subject to renewal for three future five-year periods, is expected to produce approximately \$1.5 million in revenues during the first five years with only a minimal impact on earnings.

MIDDLESEX WATER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE  
AND NINE MONTHS ENDED SEPTEMBER 30, 1995 COMPARED TO SEPTEMBER 30, 1994

Revenues increased by 10.5% for the third quarter and 5.8% for the first nine months of 1995. This was due primarily to increased consumption, connection fees from Tidewater operations, and the inclusion of revenues from the operations of Pinelands Water and Wastewater Companies.

Operations and maintenance expenses increased by 5.3% for the third quarter and 4.6% for the first nine months. The increase was due to higher purchased power costs, chemicals, labor charges, and expenses from the operations of the Pinelands Companies. Lower purchased water costs, insurance expense, and consultant fees minimized the increase.

Continuing expansion of the Tidewater system and the acquisition of the Pinelands systems resulted in depreciation expense increasing by 8.2% and 6.1% for the third quarter and the first nine months, respectively.

Taxes, other than income taxes increased by 7.8% for the third quarter and 4.5% for the first nine months due primarily to revenue related taxes.

Federal income taxes increased by 35.5% for the quarter and 14.0% year to date due to higher level of taxable income.

Capital Resources: The consolidated capital program for 1995, estimated at \$7.2 million, includes \$5.0 million for routine plant additions and \$2.2 million for special plant additions. The \$5.0 million for routine items includes \$1.6 million for mains, \$0.6 million for service lines, \$0.5 million for meters and \$2.3 million for various other items. The \$2.2 million for special plant additions includes \$1.1 million for water production facilities in Delaware, \$0.3 million for treatment of well supplies, \$0.2 million for treatment plant expansion, \$0.1 million for Robinson's Branch Dam Project, and \$0.5 million for South River Basin Regional Supply Project.

Liquidity: To finance the 1995 capital program, the Company will utilize internally-generated cash, proceeds from Tidewater's long-term financing as discussed in Note 3 to the Consolidated Financial Statements, and cash balances on hand at December 31, 1994. Capital expenditures of \$5.6 million, including \$1.1 million for the Pinelands Acquisition, have been incurred through September 30, 1995.

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 10, 1995

/Ernest C. Gere/  
Ernest C. Gere  
Senior Vice President and  
Chief Financial Officer

/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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139,672,881		
28,794,578		
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19,338,897		
21,751,097		
7,043,481		
(99,793)		
6,943,688		
2,302,088		
	4,641,600	
119,200		
4,522,400		
3,288,494		
2,885,250		
6,068,645		
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