

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, 1997
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)

(732) 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, 1997
Common Stock, No Par Value	4,254,602

PART I. - FINANCIAL INFORMATION

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
Operating Revenues	\$10,968,031	\$ 9,934,128	\$30,241,199	\$28,812,929
Operating Expenses:				
Operation and Maintenance	4,943,505	4,722,937	14,382,559	14,069,710
Depreciation	750,761	737,088	2,265,872	2,187,608
Taxes, other than Income Taxes	1,556,779	1,438,272	4,377,776	4,229,269
Federal Income Taxes	1,035,095	747,978	2,390,122	1,960,024
Total Operating Expenses	8,286,140	7,646,275	23,416,329	22,446,611

Utility Operating Income	2,681,891	2,287,853	6,824,870	6,366,318
Other Income-Net	30,233	21,517	123,831	48,744
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Income Before Interest Charges	2,712,124	2,309,370	6,948,701	6,415,062
Interest Charges	818,181	815,756	2,461,913	2,460,851
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Net Income	1,893,943	1,493,614	4,486,788	3,954,211
Preferred Stock Dividend Requirements	66,398	39,732	145,861	119,195
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Earnings Applicable to Common Stock	\$ 1,827,545	\$ 1,453,882	\$ 4,340,927	\$ 3,835,016
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Earnings per Share of Common Stock	\$0.43	\$0.35	\$1.03	\$0.92
	<hr/>	<hr/>	<hr/>	<hr/>
Average Number of Common Shares Outstanding	4,243,478	4,179,249	4,226,241	4,160,075
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Dividends Paid per Common Share	\$0.28	\$0.27 1/2	\$0.84	\$0.82 1/2

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	September 30, 1997	December 31, 1996
	<u>(Unaudited)</u>	<u></u>
UTILITY PLANT:		
Water Production	\$ 27,628,248	\$ 27,378,668
Transmission and Distribution	110,048,676	103,852,969
General	19,333,138	18,156,233
Construction Work in Progress	3,437,782	319,238
	<u>160,447,844</u>	<u>149,707,108</u>
TOTAL	160,447,844	149,707,108
Less Accumulated Depreciation	29,594,916	28,462,588
	<u>130,852,928</u>	<u>121,244,520</u>
UTILITY PLANT-NET	130,852,928	121,244,520
	<u>1,671,014</u>	<u>1,774,106</u>
NONUTILITY ASSETS-NET	1,671,014	1,774,106
CURRENT ASSETS:		
Cash and Cash Equivalents	3,232,065	4,262,862
Accounts Receivable(net of allowance for doubtful accounts)	4,408,821	4,022,129
Unbilled Revenues	2,499,465	2,175,478
Materials and Supplies(at average cost)	1,068,416	1,034,572
Prepayments and Other Current Assets	500,928	430,000
	<u>11,709,695</u>	<u>11,925,041</u>
TOTAL CURRENT ASSETS	11,709,695	11,925,041
DEFERRED CHARGES:		
Regulatory Assets	7,578,776	7,184,764
Unamortized Debt Expense	2,757,655	2,848,352
Preliminary Survey and Investigation Charges	193,405	1,716,884
Other	1,942,227	1,965,855
	<u>12,472,063</u>	<u>13,715,855</u>
TOTAL DEFERRED CHARGES	12,472,063	13,715,855
	<u>\$156,705,700</u>	<u>\$148,659,522</u>
TOTAL	\$156,705,700	\$148,659,522

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	September 30, 1997	December 31, 1996
	(Unaudited)	
CAPITALIZATION(see accompanying statements)	\$108,766,455	\$104,843,071
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	41,763	39,047
Accounts Payable	2,039,800	1,686,652
Notes Payable	567,434	0
Customer Deposits	393,754	377,702
Taxes Accrued	5,245,734	4,529,185
Interest Accrued	460,270	1,168,242
Other	1,887,586	2,125,683
TOTAL CURRENT LIABILITIES	10,636,341	9,926,511
DEFERRED CREDITS:		
Customer Advances for Construction	10,655,585	8,977,081
Accumulated Deferred Investment Tax Credits	2,254,979	2,308,736
Accumulated Deferred Federal Income Taxes	12,119,584	12,088,144
Other	1,982,190	1,715,458
TOTAL DEFERRED CREDITS	27,012,338	25,089,419
CONTRIBUTIONS IN AID OF CONSTRUCTION	10,290,566	8,800,521
TOTAL	\$156,705,700	\$148,659,522

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	September 30, 1997	December 31, 1996
	(Unaudited)	
CAPITALIZATION:		
Common Stock, No Par Value		
Shares Authorized, 6,000,000		
Shares Outstanding-1997, 4,254,602		
1996, 4,204,949	\$ 30,833,163	\$ 29,988,966
Retained Earnings	20,006,275	19,226,847
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TOTAL COMMON EQUITY	50,839,438	49,215,813
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Cumulative Preference Stock, No Par Value		
Shares Authorized, 100,000; Shares Outstanding, None		
Cumulative Preferred Stock, No Par Value,		
Shares Authorized - 150,000		
Convertible:		
Shares Outstanding, \$7.00 Series - 14,901	1,564,605	1,564,605
Shares Outstanding, \$8.00 Series - 20,000	2,331,430	0
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1,017	101,700	101,700
Shares Outstanding, \$4.75 Series - 10,000	1,000,000	1,000,000
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TOTAL CUMULATIVE PREFERRED STOCK	4,997,735	2,666,305
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Long-term Debt:		
8.02% Amortizing Secured Note, due December 20, 2021	3,471,045	3,500,000
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
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SUBTOTAL LONG-TERM DEBT	52,971,045	53,000,000
Less: Current Portion of Long-term Debt	(41,763)	(39,047)
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TOTAL LONG-TERM DEBT	52,929,282	52,960,953
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TOTAL CAPITALIZATION	\$108,766,455	\$104,843,071
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	Nine Months Ended September 30, 1997	Year Ended December 31, 1996
	(Unaudited)	
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$ 19,226,847	\$ 18,822,817
Net Income	4,486,788	5,167,460
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TOTAL	23,713,635	23,990,277
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Cash Dividends:		
Cumulative Preferred Stock	159,628	158,926
Common Stock	3,547,732	4,604,504
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TOTAL DEDUCTIONS	3,707,360	4,763,430
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BALANCE AT END OF PERIOD	\$ 20,006,275	\$ 19,226,847
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See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended 1997	September 30, 1996
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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 4,486,788	\$ 3,954,211
Adjustments To Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,321,104	2,252,913
Provision for Deferred Income Taxes	570,310	638,736
Allowance for Funds Used During Construction	(63,637)	(37,458)
Changes in Current Assets and Liabilities:		
Accounts Receivable	(308,882)	(51,330)
Materials and Supplies	(33,844)	(57,513)
Accounts Payable	313,273	60,874
Accrued Income Taxes	716,549	377,819
Accrued Interest	(712,121)	(746,158)
Unbilled Revenues	(294,187)	(226,200)
Other-Net	(273,798)	159,759
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NET CASH PROVIDED BY OPERATING ACTIVITIES	6,721,555	6,325,653
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CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures	(7,257,652)	(4,108,309)
Cash from Acquisition of Subsidiary	158,436	0
Preliminary Survey and Investigation Charges	1,523,479	(358,415)
Other-Net	(87,781)	(435,883)
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NET CASH USED IN INVESTING ACTIVITIES	(5,663,518)	(4,902,607)
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CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	(28,955)	(240,000)
Deferred Debt Issuance Expenses	0	(251)
Temporary Cash Investments-Restricted	10,125	(1,654)
Proceeds from Issuance of Common Stock-Net	844,197	872,919
Payment of Preferred Dividends	(159,628)	(119,195)
Payment of Common Dividends	(3,547,732)	(3,430,226)
Customer Advances and Contributions-Net	793,159	453,689
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NET CASH USED IN FINANCING ACTIVITIES	(2,088,834)	(2,464,718)
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NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,030,797)	(1,041,672)
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CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,262,862	4,900,640
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,232,065	\$ 3,858,968
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SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Period for:		
Interest(net of amounts capitalized)	\$ 3,038,530	\$ 2,867,452
Income Taxes	\$ 1,102,200	\$ 1,616,998

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). Public Water Supply Company, Inc. and White Marsh Environmental Systems, Inc. are wholly-owned subsidiaries of Tidewater. The financial statements for Middlesex and its wholly-owned subsidiaries (Consolidated Group) are reported on a consolidated basis. All intercompany accounts and transactions have been eliminated.

The consolidated notes accompanying the 1996 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, 1997 and the results of operations and its cash flows for the periods ended September 30, 1997 and 1996. Information included in the Balance Sheet as of December 31, 1996 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, 1996.

Note 2 - Regulatory Matters

In the fourth quarter of 1996, Middlesex filed a petition with the New Jersey Board of Public Utilities (BPU) for a base rate increase. At present, the Company has requested an increase of \$4.6 million or 13.3% and includes projected work in progress expenditures for the upgrade and expansion of the Carl J. Olsen Water Treatment Plant (CJO Plant), recovery of postretirement costs other than pension expenses which are mandated by the Company's compliance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and various deferred charges which would be recovered in rates through amortization over two to ten year periods. A decision in this matter is expected by the end of 1997. The last increase in base rates granted by the BPU was \$2.8 million or 9.33% in April 1993.

On September 26, 1997, Middlesex filed a petition with the BPU seeking approval to issue first mortgage bonds to finance part of the CJO Plant project. Construction costs are anticipated to be \$30 million and the Company expects to issue \$23 million of forty year tax exempt bonds through the New Jersey Economic Development Authority. This financing is expected to be completed by the second quarter of 1998. With the CJO Plant project scheduled for substantial completion in the second quarter of 1999, Middlesex will use internally generated funds from operations and proceeds from the Dividend Reinvestment and Common Stock Purchase Plan to fund the balance of the costs. Some level of common equity offering may be required in late 1998.

Note 3 - Common Stock

During the third quarter, 22,325 common shares (\$0.3 million) were issued under the Company's Restricted Stock Plan and the Dividend Reinvestment and Common Stock Purchase Plan.

Note 4 - Commitments

During the second quarter, Middlesex Water Company received approval from the BPU and the Delaware Public Service Commission to acquire Public Water Supply Company, Inc., (Public), a 2,500 customer water system located in Sussex County Delaware. On July 31, 1997, Middlesex completed the acquisition of Public at a price of \$2.3 million and is being accounted for under the purchase method of accounting. Under the terms of the agreement, Middlesex issued 20,000 shares of no par \$8.00 Cumulative and Convertible Preferred Stock convertible into approximately 137,140 shares of Middlesex's common stock for 100% of the common stock of Public. The preferred shares are convertible at the election of the security holder within seven years from the date of issuance at the common equivalent rate of 6.857 shares of common stock for each share of preferred. The same conversion feature applies to Middlesex after seven years from the date of issuance. The acquisition of Public will not have a material impact on Middlesex's net income.

Note 5 - Contingent Liabilities

A fire at a warehouse within the Company's service territory has resulted in multiple party claims for unspecified amounts. This has led the warehouse operator to assert a claim against the Company for alleged insufficient water pressure and supply. The Company believes it has substantial defenses to the claim.

MIDDLESEX WATER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO
SEPTEMBER 30, 1996

Revenues increased \$1.0 million or 10.4% for the third quarter and \$1.4 million or 5.0% for the first nine months of 1997. These increases are the result of higher consumption due to favorable weather in New Jersey and Delaware service territories. Additional revenues were realized due to rate increases for the Pinelands Companies, contract services operations of USA and increased fixed service charges due to continued customer growth in Delaware.

Total operating expenses for the third quarter and nine months ended September 1997 rose 8.4% and 4.3%, respectively. These increases are the result of higher operations and maintenance expenses which included purchased water, company labor, employee benefits, transmission and distribution maintenance, and were partially offset by decreases in purchased power and chemicals. Also impacting operating expenses were Taxes other than Income Taxes which increased due to higher revenue based taxes while Federal Income Taxes rose 38.4% and 21.9% for the quarter and first nine months, respectively, based on higher taxable income.

Capital Resources: The revised consolidated capital program for 1997, estimated at \$11.7 million, includes \$5.5 million for routine capital expenditures and \$6.2 million for special plant additions. The \$5.5 million for routine plant items is comprised of \$2.0 million for cleaning and lining, \$1.7 million for mains, \$0.6 million for service lines, \$0.4 million for meters, and \$0.8 million for various other items. The \$6.2 million for special plant additions consists of \$4.4 million for the upgrade of the Carl J. Olsen Water Treatment Plant, \$1.3 million for water systems additions and improvements in Delaware and \$0.5 million for miscellaneous items.

Liquidity: To finance the Capital Program, the Company will utilize internally-generated cash and external financing. The Company will rely upon short-term borrowings through lines of credit established with three financial institutions through the end of the year. There is \$20 million available under these commitments. See Note 3 to Consolidated Financial Statements for discussion of long-term financing. Capital expenditures of \$7.3 million have been incurred in the nine months ended September 30, 1997.

New Accounting Pronouncement: In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). SFAS 128 simplifies the financial accounting and reporting standards for computing and presenting earnings per share (EPS) previously found in Accounting Principles Board Opinion No. 15, "Earnings Per Share". SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. Earlier application is not permitted. The Company will adopt SFAS 128 in 1997 and believes there will be no impact on the EPS as currently computed.

MIDDLESEX WATER COMPANY

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings
A fire at a warehouse within the Company's service territory has resulted in multiple party claims for unspecified amounts. This has led the warehouse operator to assert a claim against the Company for alleged insufficient water pressure and supply. The Company believes it has substantial defenses to the claim.
- 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
On November 10, 1997, the Company filed a Form S-3 Post Effective Amendment relating to Registration No. 33-11717 on Form S-3 on December 12, 1991. The Company is offering to sell shares of its Common Stock at a 5% discount to participants in the Company's Dividend Reinvestment and Common Stock Plan between the period of January 2, 1998 and June 1, 1998. The offer will be limited to the first 100,000 shares sold during the discount period.
- 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, 1997 /A. Bruce O'Connor/
A. Bruce O'Connor
Vice President and Controller

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MIDDLESEX WATER COMPANY

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DEC-31-1997	
SEP-30-1997	
PER-BOOK	
130,852,928	
1,671,014	
11,709,695	
12,472,063	
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20,006,275	
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23,416,329	
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6,948,701	
2,461,913	
	4,486,788
145,861	
4,340,927	
3,547,732	
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	1.03