

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: March 31, 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 March 31, 1996
Common Stock, No Par Value	4,150,898

PART I. - FINANCIAL INFORMATION

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended March 31,	
	1996	1995
Operating Revenues	\$ 9,246,949	\$ 8,739,873
Operating Expenses:		
Operation and Maintenance	4,625,478	4,168,008
Depreciation	722,020	676,866
Taxes, other than Income Taxes	1,384,751	1,301,550
Federal Income Taxes	546,360	623,213
Total Operating Expenses	7,278,609	6,769,637
Utility Operating Income	1,968,340	1,970,236

Other Income(Expense)-Net	9,585	(1,263)
	<hr/>	<hr/>
Income Before Interest Charges	1,977,925	1,968,973
Interest Charges	824,662	755,973
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Net Income	1,153,263	1,213,000
Preferred Stock Dividend Requirements	39,732	39,737
	<hr/>	<hr/>
Earnings Applicable to Common Stock	\$ 1,113,531	\$ 1,173,263
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Earnings per Share of Common Stock	\$0.27	\$0.29
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Average Number of Common Shares Outstanding	4,143,181	4,037,147
Cash Dividends Paid per Common Share	\$0.27 1/2	\$0.27

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	March 31, 1996	December 31, 1995
	<u>(Unaudited)</u>	<u></u>
UTILITY PLANT:		
Water Production	\$ 27,764,487	\$ 27,598,613
Transmission and Distribution	98,863,064	97,359,802
General	18,052,947	18,169,056
Construction Work in Progress	292,496	1,207,538
	<u>144,972,994</u>	<u>144,335,009</u>
TOTAL	144,972,994	144,335,009
Less Accumulated Depreciation	27,010,524	26,402,377
	<u>117,962,470</u>	<u>117,932,632</u>
UTILITY PLANT-NET	117,962,470	117,932,632
	<u>1,732,866</u>	<u>1,735,048</u>
NONUTILITY ASSETS-NET	1,732,866	1,735,048
CURRENT ASSETS:		
Cash and Cash Equivalents	6,352,425	4,900,640
Marketable Securities	1,548	1,548
Accounts Receivable(net of allowance for doubtful accounts)	4,072,834	4,224,653
Unbilled Revenues	2,155,843	2,170,143
Materials and Supplies(at average cost)	1,022,634	1,030,801
Prepayments	588,259	584,124
	<u>14,193,543</u>	<u>12,911,909</u>
TOTAL CURRENT ASSETS	14,193,543	12,911,909
DEFERRED CHARGES:		
Regulatory Assets	7,251,533	7,160,533
Unamortized Debt Expense	2,939,049	2,969,281
Preliminary Survey and Investigation Charges	863,221	833,869
Other	1,361,189	1,278,935
	<u>12,414,992</u>	<u>12,242,618</u>
TOTAL DEFERRED CHARGES	12,414,992	12,242,618
	<u>\$146,303,871</u>	<u>\$144,822,207</u>
TOTAL	\$146,303,871	\$144,822,207

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	March 31, 1996	December 31, 1995
	<u>(Unaudited)</u>	<u></u>
CAPITALIZATION(see accompanying statements)	\$103,530,691	\$103,269,966
CURRENT LIABILITIES:		
Accounts Payable	1,654,722	1,521,515
Current Portion of Long-term Debt	240,000	240,000
Customer Deposits	351,538	348,631
Taxes Accrued	5,823,697	4,321,919
Interest Accrued	519,102	1,216,851
Other	1,175,058	1,161,630
	<u>9,764,117</u>	<u>8,810,546</u>
TOTAL CURRENT LIABILITIES		
	9,764,117	8,810,546
DEFERRED CREDITS:		
Customer Advances for Construction	9,103,562	9,207,565
Accumulated Deferred Investment Tax Credits	2,362,493	2,380,416
Accumulated Deferred Federal Income Taxes	11,297,118	11,147,627
Other	2,048,934	1,985,654
	<u>24,812,107</u>	<u>24,721,262</u>
TOTAL DEFERRED CREDITS		
	24,812,107	24,721,262
CONTRIBUTIONS IN AID OF CONSTRUCTION	8,196,956	8,020,433
	<u>8,196,956</u>	<u>8,020,433</u>
TOTAL	<u>\$146,303,871</u>	<u>\$144,822,207</u>

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	March 31, 1996	December 31, 1995
	<u>(Unaudited)</u>	<u></u>
CAPITALIZATION:		
Common Stock, No Par Value		
Authorized, 6,000,000 Shares		
Outstanding Shares-1996, 4,150,898		
1995, 4,136,972	\$ 29,106,624	\$ 28,820,844
Retained Earnings	18,797,762	18,822,817
	<u>47,904,386</u>	<u>47,643,661</u>
TOTAL COMMON EQUITY		
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
	<u>2,666,305</u>	<u>2,666,305</u>
TOTAL CUMULATIVE PREFERRED STOCK		
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	1,200,000	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
	<u>53,200,000</u>	<u>53,200,000</u>
SUBTOTAL LONG-TERM DEBT	53,200,000	53,200,000
Less: Current Portion of Long-term Debt	(240,000)	(240,000)
	<u>52,960,000</u>	<u>52,960,000</u>
TOTAL LONG-TERM DEBT		
	<u>\$103,530,691</u>	<u>\$103,269,966</u>
TOTAL CAPITALIZATION		
	<u>\$103,530,691</u>	<u>\$103,269,966</u>
	Three Months Ended March 31, 1996	Year Ended December 31, 1995
	<u>(Unaudited)</u>	<u></u>
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$ 18,822,817	\$ 17,699,422
Net Income	1,153,263	5,703,744
	<u>19,976,080</u>	<u>23,403,166</u>
TOTAL	19,976,080	23,403,166
Cash Dividends:		
Cumulative Preferred Stock	39,732	158,497
Common Stock	1,138,586	4,421,852
	<u>1,178,318</u>	<u>4,580,349</u>
TOTAL DEDUCTIONS	1,178,318	4,580,349
BALANCE AT END OF PERIOD	<u>\$ 18,797,762</u>	<u>\$ 18,822,817</u>

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 1,153,263	\$ 1,213,000
Adjustments To Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	749,840	704,924
Provision for Deferred Income Taxes	149,491	12,974
Allowance for Funds Used During Construction	(5,895)	0
Changes in Current Assets and Liabilities:		
Accounts Receivables	151,819	993,134
Materials and Supplies	8,167	(55,569)
Accounts Payable	133,207	(125,940)
Accrued Income Taxes	1,501,778	1,623,122
Accrued Interest	(697,749)	(720,701)
Unbilled Revenues	14,300	34,301
Other-Net	(59,605)	207,339
	3,098,616	3,886,584
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures	(744,739)	(1,207,850)
Marketable Securities	0	(20,788)
Preliminary Survey and Investigation Charges	(29,352)	(2,259)
Other-Net	(51,875)	83,327
	(825,966)	(1,147,570)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Deferred Debt Issuance Expenses	(116)	(8,000)
Temporary Cash Investments-Restricted	(731)	216,384
Proceeds from Issuance of Common Stock-Net	285,780	253,970
Payment of Preferred Dividends	(39,732)	(39,303)
Payment of Common Dividends	(1,138,586)	(1,089,306)
Customer Advances and Contributions-Net	72,520	(191,679)
Redemption of Preferred Stock	0	(123,800)
	(820,865)	(981,734)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,451,785	1,757,280
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,900,640	3,854,186
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 6,352,425	\$ 5,611,466
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Period for:		
Interest(net of amounts capitalized)	\$ 1,487,412	\$ 1,442,625
Income Taxes	\$ 25,000	\$ 61,000

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 March 31, 1996 and the results of operations and its cash flows for the periods ended March 31, 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.

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. The Company is seeking recovery of approximately \$0.3 million of increased costs. A decision on this matter is expected to be rendered during the third quarter of 1996.

Note 3 - Capitalization

Common Stock - During the three months ended March 31, 1996, 13,926 common shares (\$0.3 million) were issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan.

MIDDLESEX WATER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE
MONTHS ENDED MARCH 31, 1996, COMPARED TO MARCH 31, 1995

Revenues increased by \$0.5 million or 5.8%. Of that amount, \$0.2 million is due to the inclusion of the Pinelands Companies and USA. The remainder is due to increased consumption in New Jersey and an increased customer base in Delaware.

Operations and Maintenance expenses increased by \$0.5 million or 11%. Of this increase, \$0.3 million relates to the inclusion of the Pinelands Companies. Additionally, there were increases in purchased water and power expenses, chemicals, employee pension and benefits costs and labor. These increases were partially offset by lower insurance and system maintenance costs.

Depreciation expense rose by 6.7%, half of which is attributable to the fixed assets acquired by the Pinelands Companies in April 1995. The remainder of the increase reflects plant additions of \$4.3 million since March 31, 1995.

Taxes, other than Income Taxes increased by 6.4% due to revenue related taxes, employment taxes and the inclusion of the Pinelands Companies.

Federal Income Taxes decreased by 12.3% largely due to a lower level of taxable income.

Capital Resources: The consolidated capital program for 1996 is estimated at \$12.9 million, inclusive of \$5.0 million for routine capital expenditures and \$7.9 million for special plant additions. The \$5.0 million for routine plant items is comprised of \$1.8 million for mains, \$1.0 million for cleaning and lining, \$0.7 million for service lines, \$0.6 million for meters, and \$0.9 million for various other items. The \$7.9 million for special plant additions includes \$2.6 million for water systems additions and improvements in Delaware, \$3.5 million for treatment of well supplies, \$1.0 million for plant modifications and improvements, \$0.2 million for the South River Basin regional supply, \$0.2 million for improvements to the Pinelands Companies' systems, and \$0.4 million for miscellaneous items.

Liquidity: To finance the 1996 Capital Program, the Company will utilize internally-generated cash and cash balances on hand at December 31, 1995, the balance available under the amortizing secured term note and possibly short-term borrowings through available lines of credit. For the three months ended March 31, 1996, \$0.7 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: May 10, 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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