

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, 1998

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 March 31, 1998
Common Stock, No Par Value	4,304,549

PART I. - FINANCIAL INFORMATION

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
	1998	1997
Operating Revenues	\$ 9,769,139	\$ 9,336,019
Operating Expenses:		
Operation and Maintenance	4,916,486	4,560,358
Depreciation	808,084	755,483
Taxes, other than Income Taxes	1,414,457	1,391,170
Federal Income Taxes	682,250	650,733
Total Operating Expenses	7,821,277	7,357,744

Utility Operating Income	1,947,862	1,978,275
Other Income-Net	129,791	121,762
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Income Before Interest Charges	2,077,653	2,100,037
Interest Charges	814,402	818,012
	<hr/>	<hr/>
Net Income	1,263,251	1,282,025
Preferred Stock Dividend Requirements	79,697	39,732
	<hr/>	<hr/>
Earnings Applicable to Common Stock	\$ 1,183,554	\$ 1,242,293
	<hr/>	<hr/>
Basic and Diluted Earnings per Share	\$0.28	\$0.30
	<hr/>	<hr/>
Average Number of Common Shares Outstanding	4,290,681	4,210,636
Cash Dividends Paid per Common Share	\$0.28 1/2	\$0.28

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	March 31, 1998	December 31, 1997
	(Unaudited)	
UTILITY PLANT:		
Water Production	\$ 27,690,257	\$ 27,689,254
Transmission and Distribution	113,716,550	113,104,789
General	18,906,253	18,845,301
Construction Work in Progress	9,472,848	5,683,217
	<hr/>	<hr/>
TOTAL	169,785,908	165,322,561
Less Accumulated Depreciation	30,621,877	30,251,825
	<hr/>	<hr/>
UTILITY PLANT-NET	139,164,031	135,070,736
	<hr/>	<hr/>
NONUTILITY ASSETS-NET	2,052,178	2,038,568
	<hr/>	<hr/>
CURRENT ASSETS:		
Cash and Cash Equivalents	1,420,482	2,513,294
Temporary Cash Investments-Restricted	23,094,939	218,787
Accounts Receivable(net of allowance for doubtful accounts)	4,084,498	3,794,860
Unbilled Revenues	2,208,828	2,175,934
Materials and Supplies(at average cost)	1,041,575	960,577
Prepayments and Other Current Assets	316,388	387,487
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	32,166,710	10,050,939
	<hr/>	<hr/>
DEFERRED CHARGES:		
Regulatory Assets	7,334,460	7,359,969
Unamortized Debt Expense	2,742,524	2,773,233
Preliminary Survey and Investigation Charges	205,375	213,650
Other	2,597,207	2,253,678
	<hr/>	<hr/>
TOTAL DEFERRED CHARGES	12,879,566	12,600,530
	<hr/>	<hr/>
TOTAL	\$186,262,485	\$159,760,773
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See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	March 31, 1998	December 31, 1997
	<u>(Unaudited)</u>	<u></u>
CAPITALIZATION(see accompanying statements)	\$132,817,236	\$109,139,429
	<u></u>	<u></u>
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	43,353	42,708
Notes Payable	3,063,614	564,701
Accounts Payable	3,017,716	3,602,420
Customer Deposits	394,603	393,376
Taxes Accrued	6,529,383	5,142,089
Interest Accrued	575,757	1,183,561
Other	2,040,873	2,039,828
	<u></u>	<u></u>
TOTAL CURRENT LIABILITIES	15,665,299	12,968,683
	<u></u>	<u></u>
DEFERRED CREDITS:		
Customer Advances for Construction	10,781,225	10,830,646
Accumulated Deferred Investment Tax Credits	2,219,141	2,237,060
Accumulated Deferred Federal Income Taxes	12,284,940	12,177,993
Other	2,126,764	2,051,895
	<u></u>	<u></u>
TOTAL DEFERRED CREDITS	27,412,070	27,297,594
	<u></u>	<u></u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	10,367,880	10,355,067
	<u></u>	<u></u>
TOTAL	\$186,262,485	\$159,760,773
	<u></u>	<u></u>

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	March 31, 1998	December 31, 1997
	<u>(Unaudited)</u>	<u></u>
CAPITALIZATION:		
Common Stock, No Par Value		
Shares Authorized, 6,000,000		
Shares Outstanding-1998, 4,304,549		
1997, 4,269,217	\$ 31,865,639	\$ 31,138,484
Retained Earnings	20,048,683	20,087,065
	<u>51,914,322</u>	<u>51,225,549</u>
TOTAL COMMON EQUITY		
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 - 14,881	1,562,505	1,562,505
Shares Outstanding, \$8.00 Series - 20,000	2,331,430	2,331,430
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
	<u>4,995,635</u>	<u>4,995,635</u>
TOTAL CUMULATIVE PREFERRED STOCK		
Long-term Debt:		
8.02% Amortizing Secured Note, due December 20, 2021	3,450,632	3,460,953
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
5.35%, Series W, due February 1, 2038	23,000,000	0
	<u>75,950,632</u>	<u>52,960,953</u>
SUBTOTAL LONG-TERM DEBT	75,950,632	52,960,953
Less: Current Portion of Long-term Debt	(43,353)	(42,708)
	<u>75,907,279</u>	<u>52,918,245</u>
TOTAL LONG-TERM DEBT		
	<u>\$132,817,236</u>	<u>\$109,139,429</u>
TOTAL CAPITALIZATION		
	<u>\$132,817,236</u>	<u>\$109,139,429</u>
	<u>Three Months Ended</u>	<u>Year Ended</u>
	March 31, 1998	December 31, 1997
	<u>(Unaudited)</u>	<u></u>
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$ 20,087,065	\$ 19,226,847
Net Income	1,263,251	5,860,906
	<u>21,350,316</u>	<u>25,087,753</u>
TOTAL		
Cash Dividends:		
Cumulative Preferred Stock	79,662	239,361
Common Stock	1,221,971	4,761,327
	<u>1,301,633</u>	<u>5,000,688</u>
TOTAL DEDUCTIONS		
	<u>1,301,633</u>	<u>5,000,688</u>
BALANCE AT END OF PERIOD	\$ 20,048,683	\$ 20,087,065

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 1998	1997
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 1,263,251	\$ 1,282,025
Adjustments To Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	883,724	772,408
Provision for Deferred Income Taxes	106,947	204,537
Allowance for Funds Used During Construction	(133,803)	(5,997)
Changes in Current Assets and Liabilities:		
Accounts Receivable	(289,638)	71,639
Materials and Supplies	(80,998)	(16,771)
Accounts Payable	(584,704)	(767,381)
Accrued Income Taxes	1,387,294	1,230,128
Accrued Interest	(607,804)	(718,619)
Unbilled Revenues	(32,894)	(931)
Other-Net	(305,286)	(316,164)
	<u> </u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,606,089	1,734,874
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures (786,755)	(4,766,355)	
Note Receivable	(15,112)	0
Preliminary Survey and Investigation Charges	8,275	(133,576)
Other-Net	72,937	183,872
	<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES	(4,700,255)	(736,459)
	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	(10,321)	(9,436)
Proceeds from Issuance of Long-term Debt	23,000,000	0
Short-term Bank Borrowings	2,498,913	0
Temporary Cash Investments-Restricted	(22,876,152)	3,171
Proceeds from Issuance of Common Stock-Net	727,155	261,061
Payment of Preferred Dividends	(79,662)	(39,732)
Payment of Common Dividends	(1,221,971)	(1,178,071)
Customer Advances and Contributions-Net	(36,608)	(134,548)
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,001,354	(1,097,555)
	<u> </u>	<u> </u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,092,812)	(99,140)
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,513,294	4,262,862
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,420,482	\$ 4,163,722
	<u> </u>	<u> </u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Period for:		
Interest(net of amounts capitalized)	\$ 1,407,200	\$ 1,510,178
Income Taxes	\$ 359,000	\$ 0

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) 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. (Public) 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 1997 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, 1998 and the results of operations and its cash flows for the periods ended March 31, 1998 and 1997. Information included in the Balance Sheet as of December 31, 1997 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, 1997.

Note 2 - Regulatory Matters

In the first quarter, Middlesex filed an application with the New Jersey Board of Public Utilities to issue and sell up to 800,000 additional shares of Common Stock under the Company's Dividend Reinvestment and Common Stock Purchase Plan. A decision on this matter is expected by the end of June 1998.

Note 3 - Capitalization

Common Stock - During the three months ended March 31, 1998, 35,332 common shares (\$0.7 million) were issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan. A 5% discount on purchases and reinvestments through the Plan is available until June 1, 1998. The discount is limited to the first 100,000 shares sold during the discount period.

Long-term Debt - On March 31, 1998, Middlesex issued \$23.0 million of First Mortgage Bonds designated as Series W with a maturity date of February 1, 2038 and a coupon rate of 5.35%. The effective interest cost to maturity is 5.48%. The bond offering was competitively bid in cooperation with the New Jersey Economic Development Authority. Interest paid to the bondholders is exempt from federal and New Jersey income taxes. However, the interest is subject to the Alternative Minimum Tax. The proceeds of the bonds will be used to finance a significant portion of the upgrade of the Carl J. Olsen Water Treatment Plant (CJO Plant).

MIDDLESEX WATER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE
THREE MONTHS ENDED MARCH 31, 1998 COMPARED TO
MARCH 31, 1997

Operating Revenues in the first quarter were up \$0.4 million or 4.6% from the same period in 1997. The increase reflects a partial effect of Middlesex's rate increase implemented in January 1998, continued customer growth in Tidewater, the second phase of the Pinelands rate increase and the inclusion of Public, acquired in July 1997.

Higher revenues were offset by increased operating expenses of \$0.5 million or 6.3%. The increases were mainly due to increased water treatment costs, mandated recognition of accrued postretirement benefit costs other than pensions, and the inclusion of Public's expenses. Additionally, power costs in the prior year quarter reflected a one-time credit. Depreciation expense increased 7% reflecting plant additions of \$5.3 million since March 31, 1997 and utility plant acquired as part of the acquisition of Public.

Net Income declined by 1.5%. Earnings applicable to Common Stock decreased by 4.7% due to dividends on the \$8 convertible series stock issued in July 1997 for the acquisition of Public.

Capital Resources: The Company's capital program for 1998 is estimated to be \$28.3 million and includes \$18.0 million for the upgrade of the Carl J. Olsen Water Treatment Plant which is scheduled for completion in June 1999, \$2.0 million for the rehabilitation of unlined cast iron pipe (RENEW Program), \$4.6 million for water system additions and improvements in Delaware and \$3.7 million for scheduled upgrades to existing systems. The \$3.7 million for scheduled upgrades consists of \$0.9 million for mains, \$0.7 million for service lines, \$0.8 million for meters and hydrants and \$1.3 million for various other items.

Liquidity: Proceeds from the \$23.0 million Series W First Mortgage Bonds will be used to finance a large part of the CJO Plant project. Other capital expenditures will be financed through internally generated funds and sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan (DRP). Additionally, the Company will utilize short-term borrowings through \$24.0 million of available lines of credit. A subsequent offering of common equity will be considered based on the level of funds generated internally and from the DRP. Capital expenditures of \$4.8 million have been incurred in the three months ended March 31, 1998.

Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued three new accounting pronouncements, which the Company is required to adopt in 1998.

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income" establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. At March 31, 1998, the Company does not have any items of comprehensive income that would affect the current reporting of the Company's financial position, results of operations or cash flows.

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", requires that public enterprises report certain information about operating segments in complete sets of financial statements. Disclosure is not required for interim financial statements in the initial year of its application. The Company is evaluating the requirements of SFAS No. 131. Because the statement relates solely to disclosure provisions, it will not have any effect on the Company's financial position, results of operations or cash flows.

SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits", revises and standardizes disclosure requirements for pension and other postretirement benefit plans but does not change the measurement or recognition of those plans.

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
(a) Exhibits: No.27, Financial Data Schedule.
(b) 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 12, 1998 /A. Bruce O'Connor/
A. Bruce O'Connor
Vice President and Controller

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MIDDLESEX WATER COMPANY

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DEC-31-1998
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PER-BOOK

139,164,031		
2,052,178		
32,166,710		
12,879,566		
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51,914,322		
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	3,063,614	
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50,338,282		
186,262,485		
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	7,821,277	
	1,947,862	
		129,791
2,077,653		
	814,402	
		1,263,251
	79,697	
1,183,554		
	1,221,971	
	4,115,750	
	1,606,089	
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