

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, 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)

(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 [X]      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, 1997
Common Stock, No Par Value	4,218,332

PART I. - FINANCIAL INFORMATION

MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENT OF INCOME  
(Unaudited)

	Three Months Ended March 31,	
	1997	1996
Operating Revenues	\$ 9,336,019	\$ 9,246,949
Operating Expenses:		
Operation and Maintenance	4,515,228	4,625,478
Depreciation	755,483	722,020
Taxes, other than Income Taxes	1,391,170	1,384,751
Federal Income Taxes	650,733	546,360
Total Operating Expenses	7,312,614	7,278,609

Utility Operating Income	2,023,405	1,968,340
Other Income-Net	76,632	9,585
	<hr/>	<hr/>
Income Before Interest Charges	2,100,037	1,977,925
Interest Charges	818,012	824,662
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Net Income	1,282,025	1,153,263
Preferred Stock Dividend Requirements	39,732	39,732
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Earnings Applicable to Common Stock	\$ 1,242,293	\$ 1,113,531
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Earnings per Share of Common Stock	\$0.30	\$0.27
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Average Number of Common Shares Outstanding	4,210,636	4,143,181
Cash Dividends Paid per Common Share	\$0.28	\$0.27 1/2

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY  
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	March 31, 1997	December 31, 1996
	(Unaudited)	
UTILITY PLANT:		
Water Production	\$ 27,473,110	\$ 27,378,668
Transmission and Distribution	104,222,620	103,852,969
General	17,155,005	18,156,233
Construction Work in Progress	358,090	319,238
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TOTAL	149,208,825	149,707,108
Less Accumulated Depreciation	27,925,812	28,462,588
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UTILITY PLANT-NET	121,283,013	121,244,520
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NONUTILITY ASSETS-NET	1,672,406	1,774,106
	<hr/>	<hr/>
CURRENT ASSETS:		
Cash and Cash Equivalents	4,163,722	4,262,862
Accounts Receivable(net of allowance for doubtful accounts)	3,950,490	4,022,129
Unbilled Revenues	2,176,409	2,175,478
Materials and Supplies(at average cost)	1,051,343	1,034,572
Prepayments and Other Current Assets	395,875	430,000
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TOTAL CURRENT ASSETS	11,737,839	11,925,041
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DEFERRED CHARGES:		
Regulatory Assets	7,248,864	7,184,764
Unamortized Debt Expense	2,818,120	2,848,352
Preliminary Survey and Investigation Charges	1,850,460	1,716,884
Other	1,917,458	1,965,855
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TOTAL DEFERRED CHARGES	13,834,902	13,715,855
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TOTAL	\$148,528,160	\$148,659,522
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See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY  
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	March 31, 1997	December 31, 1996
	<u>(Unaudited)</u>	<u></u>
CAPITALIZATION(see accompanying statements)	\$105,158,033	\$104,843,071
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	39,932	39,047
Accounts Payable	919,271	1,686,652
Customer Deposits	383,556	377,702
Taxes Accrued	5,759,313	4,529,185
Interest Accrued	449,623	1,168,242
Other	1,816,900	2,125,683
	<u>9,368,595</u>	<u>9,926,511</u>
TOTAL CURRENT LIABILITIES		
	9,368,595	9,926,511
DEFERRED CREDITS:		
Customer Advances for Construction	8,886,203	8,977,081
Accumulated Deferred Investment Tax Credits	2,290,817	2,308,736
Accumulated Deferred Federal Income Taxes	12,292,681	12,088,144
Other	1,774,980	1,715,458
	<u>25,244,681</u>	<u>25,089,419</u>
TOTAL DEFERRED CREDITS		
	25,244,681	25,089,419
CONTRIBUTIONS IN AID OF CONSTRUCTION		
	<u>8,756,851</u>	<u>8,800,521</u>
TOTAL		
	<u>\$148,528,160</u>	<u>\$148,659,522</u>

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	March 31, 1997	December 31, 1996
	(Unaudited)	
<b>CAPITALIZATION:</b>		
Common Stock, No Par Value		
Shares Authorized, 6,000,000		
Shares Outstanding-1997, 4,218,332		
1996, 4,204,949	\$ 30,250,027	\$ 29,988,966
Retained Earnings	19,291,069	19,226,847
	49,541,096	49,215,813
<b>TOTAL COMMON EQUITY</b>		
Cumulative Preference Stock, No Par Value		
Shares Authorized, 100,000; Shares Outstanding, None		
Cumulative Preferred Stock, No Par Value,		
Shares Authorized, 69,418		
Convertible:		
Shares Outstanding, \$7.00 Series - 14,901	1,564,605	1,564,605
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
	2,666,305	2,666,305
<b>TOTAL CUMULATIVE PREFERRED STOCK</b>		
Long-term Debt:		
8.02% Amortizing Secured Note, due December 20, 2021	3,490,564	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
	52,990,564	53,000,000
<b>SUBTOTAL LONG-TERM DEBT</b>	52,990,564	53,000,000
Less: Current Portion of Long-term Debt	(39,932)	(39,047)
	52,950,632	52,960,953
<b>TOTAL LONG-TERM DEBT</b>		
	\$105,158,033	\$104,843,071
<b>TOTAL CAPITALIZATION</b>		
	Three Months Ended March 31, 1997	Year Ended December 31, 1996
	(Unaudited)	
<b>RETAINED EARNINGS:</b>		
BALANCE AT BEGINNING OF PERIOD	\$ 19,226,847	\$ 18,822,817
Net Income	1,282,025	5,167,460
	20,508,872	23,990,277
<b>TOTAL</b>	20,508,872	23,990,277
Cash Dividends:		
Cumulative Preferred Stock	39,732	158,926
Common Stock	1,178,071	4,604,504
	1,217,803	4,763,430
<b>TOTAL DEDUCTIONS</b>	1,217,803	4,763,430
	\$ 19,291,069	\$ 19,226,847
<b>BALANCE AT END OF PERIOD</b>	\$ 19,291,069	\$ 19,226,847

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended March 31,	
	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 1,282,025	\$ 1,153,263
Adjustments To Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	772,408	749,840
Provision for Deferred Income Taxes	204,537	149,491
Allowance for Funds Used During Construction	(5,997)	(5,895)
Changes in Current Assets and Liabilities:		
Accounts Receivables	71,639	151,819
Materials and Supplies	(16,771)	8,167
Accounts Payable	(767,381)	133,207
Accrued Income Taxes	1,230,128	1,501,778
Accrued Interest	(718,619)	(697,749)
Unbilled Revenues	(931)	14,300
Other-Net	(316,164)	(59,605)
	1,734,874	3,098,616
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Utility Plant Expenditures	(786,755)	(744,739)
Preliminary Survey and Investigation Charges	(133,576)	(29,352)
Other-Net	183,872	(51,875)
	(736,459)	(825,966)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemption of Long-term Debt	(9,436)	0
Deferred Debt Issuance Expenses	0	(116)
Temporary Cash Investments-Restricted	3,171	(731)
Proceeds from Issuance of Common Stock-Net	261,061	285,780
Payment of Preferred Dividends	(39,732)	(39,732)
Payment of Common Dividends	(1,178,071)	(1,138,586)
Customer Advances and Contributions-Net	(134,548)	72,520
	(1,097,555)	(820,865)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(99,140)</b>	<b>1,451,785</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>4,262,862</b>	<b>4,900,640</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 4,163,722</b>	<b>\$ 6,352,425</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash Paid During the Period for:		
Interest(net of amounts capitalized)	\$ 1,510,178	\$ 1,487,412
Income Taxes	\$ 0	\$ 25,000

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. 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 March 31, 1997 and the results of operations and its cash flows for the periods ended March 31, 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 - Capitalization

Common Stock - During the first quarter, 13,383 common shares (\$0.2 million) were issued under the Company's Restricted Stock Plan and the Dividend Reinvestment and Common Stock Purchase Plan.

Note 3 - Commitments

On March 7, 1997, Middlesex Water Company entered into a contract to acquire Public Water Supply Company, Inc., (Public) a 2,400 customer water system located in Sussex County, Delaware. Under the terms of the contract, Middlesex Water will exchange preferred stock convertible into approximately 135,000 shares of its common stock for 100% of the shares of Public. The acquisition was approved by the New Jersey Board of Public Utilities and the Delaware Public Service Commission on April 30, 1997 and May 1, 1997, respectively. A closing date for the acquisition has not been determined.

MIDDLESEX WATER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE  
THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO MARCH 31, 1996

Net income for the first quarter rose by \$0.1 million or 10% and was partially due to increased revenues from the subsidiaries and decreased operations and maintenance expenses, which included purchase power, water treatment chemicals, and overtime labor. Additionally, there was an increase in Other Income which includes the net benefit from the transfer of Robinson's Branch Reservoir property and associated development rights. Offsetting these positive impacts to net income was an increase of \$0.1 million in Federal Income Taxes due to a higher level of taxable income.

Capital Resources: The consolidated capital program for 1997, estimated at \$17.1 million, includes \$5.6 million for routine capital expenditures and \$11.5 million for special plant additions. The \$5.6 million for routine plant items is comprised of \$2.0 million for cleaning and lining, \$1.6 million for mains, \$0.7 million for service lines, \$0.4 million for meters, and \$0.9 million for various other items. The \$11.5 million for special plant additions consists of \$6.4 million for the upgrade of the Carl J. Olsen Water Treatment Plant, \$1.9 million for treatment of well supplies, \$2.3 million for water systems additions and improvements in Delaware, \$0.2 million for the South River Basin regional supply, and \$0.7 million for miscellaneous items.

Liquidity: To finance the Capital Program, the Company will utilize internally-generated cash and external financing. The Company will initially rely upon short-term borrowings through lines of credit established with three financial institutions. There is \$20 million available under these commitments. Capital expenditures of \$0.8 million have been incurred in the three months ended March 31, 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  
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 - Filed March 31, 1997

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, 1997

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

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0000066004  
MIDDLESEX WATER COMPANY

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