

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

MIDDLESEX WATER CO
Form 10-Q/A
April 14, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q/A
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: September 30, 2003

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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12-2 of the Securities Exchange Act of 1934). 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 October 31, 2003 -----
Common Stock, No Par Value	10,547,180*

*- Outstanding share amount reflects the effect of a four-for-three stock split effective November 14, 2003.

Explanatory Note - Restatement of Condensed Consolidated Financial Statements

The condensed consolidated financial statements as of September 30, 2003 and December 31, 2002 and for the nine and twelve month periods ended September 30, 2003 and 2002, included in this Quarterly Report on Form 10-Q/A have been restated as discussed in Note 7 to the condensed consolidated financial statements.

For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the Form 10-Q for the quarter ended September 30, 2003 as originally filed on November 13, 2003 that was affected by the restatement has been amended to the extent affected and

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

restated in its entirety. NO ATTEMPT HAS BEEN MADE IN THIS FORM 10-Q/A TO MODIFY OR UPDATE OTHER DISCLOSURES AS PRESENTED IN THE ORIGINAL FORM 10-Q EXCEPT FOR UPDATES MADE TO PART I, ITEM 4, AND PART II ITEM 6(a), AND EXHIBITS 31, 31.1, 32 AND 32.1.

INDEX

PART I. FINANCIAL INFORMATION	PAGE

Item 1. Financial Statements:	
Condensed Consolidated Statements of Income	1
Condensed Consolidated Balance Sheets (Restated)	2
Condensed Consolidated Statements of Capitalization and Retained Earnings	4
Condensed Consolidated Statements of Cash Flows (Restated)	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3. Quantitative and Qualitative Disclosures of Market Risk	15
Item 4. Controls and Procedures	16
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	16
Item 2. Changes in Securities	17
Item 3. Defaults upon Senior Securities	17
Item 4. Submission of Matters to a Vote of Security Holders	17
Item 5. Other Information	17
Item 6. Exhibits and Reports on Form 8-K	17
SIGNATURE	18

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Three Months

Nine Months

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

	Ended September 30,		Ended September 30,	
	2003	2002	2003	2002
	----	----	----	----
Operating Revenues	\$ 17,585,575	\$ 16,983,016	\$ 48,564,914	\$ 46,700,000
Operating Expenses:				
Operations	8,687,828	7,995,208	24,292,699	22,700,000
Maintenance	830,877	684,530	2,612,556	2,000,000
Depreciation	1,342,059	1,072,630	3,960,856	3,600,000
Other Taxes	2,081,210	2,045,017	5,950,472	5,800,000
Income Taxes	1,143,264	1,432,799	2,764,542	3,100,000
Total Operating Expenses	14,085,238	13,230,184	39,581,125	37,400,000
Operating Income	3,500,337	3,752,832	8,983,789	9,300,000
Other Income:				
Allowance for Funds Used During Construction	95,448	34,465	253,253	1,000,000
Other Income	41,705	78,529	83,896	1,000,000
Other Expense	(984)	(636)	(68,708)	(1,000,000)
Total Other Income	136,169	112,358	268,441	2,000,000
Interest Charges	1,243,888	1,293,379	3,830,926	3,800,000
Net Income	2,392,618	2,571,811	5,421,304	5,700,000
Preferred Stock Dividend Requirements	63,697	63,697	191,090	1,000,000
Earnings Applicable to Common Stock	\$ 2,328,921	\$ 2,508,114	\$ 5,230,214	\$ 5,500,000
Earnings per share of Common Stock*:				
Basic	\$ 0.22	\$ 0.24	\$ 0.50	\$ 0.50
Diluted	\$ 0.22	\$ 0.24	\$ 0.50	\$ 0.50
Weighted Average Number of Common Shares Outstanding* :				
Basic	10,505,517	10,315,812	10,448,226	10,200,000
Diluted	10,848,657	10,658,952	10,791,366	10,600,000
Cash Dividends Paid per Common Share*	\$ 0.161	\$ 0.158	\$ 0.484	\$ 0.484

* All share and per share amounts reflect the four-for-three common stock split effective November 14, 2003. See Notes to Condensed Consolidated Financial Statements.

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	Restated Note 7	
	September 30, 2003	December 31, 2002
	-----	-----
UTILITY PLANT:		
Water Production	\$ 73,067,120	\$ 72,212,878
Transmission and Distribution	166,715,720	158,412,075
General	24,649,224	18,618,211
Construction Work in Progress	3,713,271	6,619,767
	-----	-----
TOTAL	268,145,335	255,862,931
Less Accumulated Depreciation	51,321,248	47,919,527
	-----	-----
UTILITY PLANT-NET	216,824,087	207,943,404
	-----	-----
NONUTILITY ASSETS-NET	3,759,656	3,424,492
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	2,974,948	2,937,894
Accounts Receivable (net of allowance for doubtful accounts)	6,768,240	6,028,302
Unbilled Revenues	3,871,539	3,181,091
Materials and Supplies (at average cost)	1,327,434	1,190,337
Prepayments and Other Current Assets	1,150,375	815,392
	-----	-----
TOTAL CURRENT ASSETS	16,092,536	14,153,016
	-----	-----
DEFERRED CHARGES AND OTHER ASSETS:		
Unamortized Debt Expense	3,308,823	3,239,364
Preliminary Survey and Investigation Charges	1,744,127	1,098,468
Regulatory Assets		
Income Taxes	6,287,873	6,287,873
Post Retirement Costs	804,604	869,260
Restricted Cash	4,891,680	6,146,699
Other	1,291,988	1,441,656
	-----	-----
TOTAL DEFERRED CHARGES AND OTHER ASSETS	18,329,095	19,083,320
	-----	-----
TOTAL ASSETS	\$255,005,374	\$244,604,232
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

2

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2003	December 31, 2002
	-----	-----
TOTAL CAPITALIZATION (see accompanying statements)	\$181,180,178	\$168,047,689
	-----	-----
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	1,060,537	639,427
Notes Payable	12,500,000	17,650,000
Accounts Payable	3,232,842	2,059,877
Taxes Accrued	6,828,887	5,898,751
Interest Accrued	738,945	1,614,278
Other	1,601,092	1,716,270
	-----	-----
TOTAL CURRENT LIABILITIES	25,962,303	29,578,603
	-----	-----
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 6)		
DEFERRED CREDITS:		
Customer Advances for Construction	11,341,532	10,881,815
Accumulated Deferred Investment Tax Credits	1,794,836	1,853,799
Accumulated Deferred Federal Income Taxes	13,532,194	13,241,901
Employee Benefit Plans	4,989,536	5,279,737
Other	790,036	814,897
	-----	-----
TOTAL DEFERRED CREDITS	32,448,134	32,072,149
	-----	-----
CONTRIBUTIONS IN AID OF CONSTRUCTION	15,414,759	14,905,791
	-----	-----
TOTAL CAPITALIZATION AND LIABILITIES	\$255,005,374	\$244,604,232
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

3

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS
(Unaudited)

September
2003

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

CAPITALIZATION:

Common Stock, No Par Value	
Shares Authorized, 20,000,000	
Shares Outstanding - 2003 - 10,523,511 *	\$ 56,29
2002 - 10,356,489 *	
Retained Earnings	23,36

TOTAL COMMON STOCK AND RETAINED EARNINGS 79,66

Cumulative Preference Stock, No Par Value	
Shares Authorized, 100,000; Shares Outstanding, None	
Cumulative Preferred Stock, No Par Value	
Shares Authorized - 140,497	
Convertible:	
Shares Outstanding, \$7.00 Series - 14,881	1,56
Shares Outstanding, \$8.00 Series - 12,000	1,39
Nonredeemable:	
Shares Outstanding, \$7.00 Series - 1,017	10
Shares Outstanding, \$4.75 Series - 10,000	1,00

TOTAL CUMULATIVE PREFERRED STOCK 4,06

Long-term Debt:	
8.05% Amortizing Secured Note, due December 20, 2021	3,15
6.25% Amortizing Secured Note, due May 22, 2028	10,36
4.22% State Revolving Trust Note, due December 31, 2022	19
3.60% State Revolving Trust Note, due May 1, 2025	53
0.00% NJEIT Fund Loan, due September 1, 2021	69
4.00% NJEIT Trust Loan, due September 1, 2021	82
First Mortgage Bonds:	
5.20%, Series S, due October 1, 2022	12,00
5.25%, Series T, due October 1, 2023	6,50
6.40%, Series U, due February 1, 2009	15,00
5.25%, Series V, due February 1, 2029	10,00
5.35%, Series W, due February 1, 2038	23,00
0.00%, Series X, due September 1, 2018	80
4.25%, Series Y, due September 1, 2018	96
0.00%, Series Z, due September 1, 2019	1,79
5.25%, Series AA, due September 1, 2019	2,17
0.00%, Series BB, due September 1, 2021	2,16
4.00%, Series CC, due September 1, 2021	2,36
5.10%, Series DD, due January 1, 2032	6,00

SUBTOTAL LONG-TERM DEBT 98,51

Less: Current Portion of Long-term Debt (1,06)

TOTAL LONG-TERM DEBT 97,45

TOTAL CAPITALIZATION \$ 181,18

RETAINED EARNINGS:

Nine Mo
Ende
Septembe
2003

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

BALANCE AT BEGINNING OF PERIOD	\$ 23,18
Net Income	5,42

TOTAL	28,60

Cash Dividends:	
Cumulative Preferred Stock	19
Common Stock	5,05
Common Stock Expenses	

TOTAL DEDUCTIONS	5,24

BALANCE AT END OF PERIOD	\$ 23,36
	=====

* All share amounts reflect the four-for-three common stock split effective November 14, 2003.

See Notes to Condensed Consolidated Financial Statements.

-4-

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Restated	
	Note	

	Nine Months Ended Sept. 30,	2002
	2003	2002
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 5,421,304	\$ 5,737,876
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,288,489	3,969,132
Provision for Deferred Income Taxes	231,330	38,765
Allowance for Funds Used During Construction	(253,254)	(186,439)
Changes in Current Assets and Liabilities:		
Accounts Receivable	(739,938)	(197,149)
Accounts Payable	1,172,965	(302,023)
Accrued Taxes	930,136	574,585
Accrued Interest	(875,333)	(1,120,674)
Unbilled Revenues	(690,448)	(624,776)
Employee Benefit Plans	(290,201)	(116,387)
Other-Net	(575,877)	(574,807)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,619,173	7,198,103
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures*	(13,121,493)	(12,820,622)
Restricted Cash	1,254,887	1,165,625
Proceeds from Real Estate Dispositions	344,972	--

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

Note Receivable	--	--
Preliminary Survey and Investigation Charges	(645,659)	62,669
Other-Net	(169,003)	12,737
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(12,336,296)	(11,579,591)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	(762,143)	(6,428,035)
Proceeds from Issuance of Long-term Debt	11,155,568	6,066,065
Short-term Bank Borrowings	(5,150,000)	4,025,000
Deferred Debt Issuance Expenses	(196,935)	(501,558)
Restricted Cash	132	219,588
Proceeds from Issuance of Common Stock-Net	2,980,026	2,840,631
Payment of Common Dividends	(5,050,066)	(4,842,862)
Payment of Preferred Dividends	(191,090)	(191,089)
Construction Advances and Contributions-Net	968,685	436,441
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,754,177	1,624,181
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	37,054	(2,757,307)
	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,937,894	4,534,384
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,974,948	\$ 1,777,077
	=====	=====

* Excludes Allowance for Funds Used During Construction

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash Paid During the Period for:

Interest (net of amounts capitalized)	\$ 4,511,199	\$ 4,752,593
Income Taxes	\$ 1,615,000	\$ 2,729,500

See Notes to Condensed Consolidated Financial Statements.

5

NOTES TO CONDENSED 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, Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy) Inc. (USA-PA) and Bayview Water Company (Bayview). Southern Shores Water Company, LLC and White Marsh Environmental Systems, Inc. are wholly-owned subsidiaries of Tidewater. The financial statements for Middlesex and its wholly-owned subsidiaries (the Company) are reported on a consolidated basis. All significant intercompany accounts and transactions have been eliminated.

The consolidated notes within the Form 10-K are applicable to these financial statements and, in the opinion of Management, the accompanying unaudited

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2003 and the results of operations and cash flows for the three, nine and twelve month periods ended September 30, 2003 and 2002. Information included in the Balance Sheet at December 31, 2002, has been derived from the Company's audited, restated financial statements for the year ended December 31, 2002. Certain reclassifications of prior period data have been made to conform with current presentation.

Note 2 - Capitalization

Common Stock - During the nine months ended September 30, 2003, 167,022 common shares (\$2.9 million) were issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan. The Plan had offered a 5% discount on optional cash payments and reinvested dividends that ended on September 2, 2003. The New Jersey Board of Public Utilities approved the Company's request for a four-for-three stock split of its common stock, effective November 14, 2003 for shareholders of record on November 1, 2003. All share and per share amounts have been restated to reflect this split.

Long-term Debt - Tidewater received approval from the Delaware Public Service Commission (PSC) to borrow \$13.8 million to fund a portion of its multi-year capital program and refinance some of its short-term debt. Subsequent to the PSC approval, in April 2003, Tidewater closed on a Delaware State Revolving Fund (SRF) loan of \$3.3 million. The Delaware SRF program will allow, but does not obligate, Tidewater to draw down against a General Obligation Note for six specific projects. Tidewater will be charged an annual fee, which is a combination of interest charges and administrative fees, of 3.60% on the outstanding principal amount. All unpaid principal and fees must be paid on or before May 1, 2025. Tidewater borrowed approximately \$0.5 million in July 2003 for one of the projects.

In May 2003, Tidewater completed a loan transaction of \$10.5 million with CoBank, a financial institution specializing in loans to rural utilities. Terms of the loan include an interest rate of 6.25% and a maximum loan life of twenty-five years with monthly principal payments. The proceeds were used to retire short-term debt.

-6-

Note 3 - Earnings Per Share

Basic earnings per share (EPS) are computed on the basis of the weighted average number of shares outstanding. Diluted EPS assumes the conversion of both the Convertible Preferred Stock \$7.00 Series and the Convertible Preferred Stock \$8.00 Series.

	Three Months Ended				(In Thousands Except for per Share Amounts)			
	September 30,		September 30,		September 30,		September 30,	
Basic:	2003 Income	Shares	2002 Income	Shares	2003 Income	Shares	2002 Income	Shares
Net Income	\$2,393	10,506	\$2,572	10,315	\$5,421	10,448	\$5,738	10,258
Preferred Dividend	(64)		(64)		(191)		(191)	

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

Earnings Applicable to Common Stock	\$2,329	10,506	\$2,508	10,315	\$5,230	10,448	\$5,547	10,258	\$
Basic EPS	\$ 0.22		\$ 0.24		\$ 0.50		\$ 0.54		\$

Diluted:									

Earnings Applicable To Common Stock	\$2,329	10,506	\$2,508	10,315	\$5,230	10,448	\$5,547	10,258	\$
\$7.00 Series Dividend	26	179	26	179	78	179	78	179	
\$8.00 Series Dividend	24	164	24	164	72	164	72	164	

Adjusted Earnings Applicable to Common Stock	\$2,379	10,849	\$2,558	10,658	\$5,380	10,791	\$5,697	10,601	\$
Diluted EPS	\$ 0.22		\$ 0.24		\$ 0.50		\$ 0.54		\$

Note 4 - Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. It also operates a regulated wastewater system in New Jersey. The Company is subject to regulations as to its rates, services and other matters by the States of New Jersey and Delaware with respect to utility service within these States. The other segment is the non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the consolidated notes to the financial statements included in the Form 10-K. Inter-segment transactions relating to operational costs are treated as pass through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender.

-7-

Operations by Segments:	Three Months Ended		(Thousands of Dollars)	
	September 30,		September 30,	
	2003	2002	2003	2002

Revenues:				
Regulated	\$ 15,360	\$ 14,968	\$ 42,427	\$ 41,1
Non - Regulated	2,256	2,026	6,204	5,6
Inter-segment Elimination	(30)	(11)	(66)	(
Consolidated Revenues	\$ 17,586	\$ 16,983	\$ 48,565	\$ 46,7

Operating Income:				
Regulated	\$ 3,329	\$ 3,661	\$ 8,629	\$ 9,0
Non - Regulated	171	92	355	2
Inter-segment Elimination	--	--	--	

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

Consolidated Operating Income	\$ 3,500	\$ 3,753	\$ 8,984	\$ 9,3
Depreciation:				
Regulated	\$ 1,326	\$ 1,063	\$ 3,922	\$ 3,6
Non - Regulated	16	10	39	
Inter-segment Elimination	--	--	--	
Consolidated Depreciation	\$ 1,342	\$ 1,073	\$ 3,961	\$ 3,6
Other Income:				
Regulated	\$ 1,010	\$ 858	\$ 2,415	\$ 1,9
Non - Regulated	--	(13)	(33)	
Inter-segment Elimination	(874)	(733)	(2,114)	(1,6
Consolidated Other Income	\$ 136	\$ 112	\$ 268	\$ 2
Interest Expense:				
Regulated	\$ 1,406	\$ 1,575	\$ 4,628	\$ 4,6
Non - Regulated	37	13	80	
Inter-segment Elimination	(199)	(295)	(877)	(8
Consolidated Interest Expense	\$ 1,244	\$ 1,293	\$ 3,831	\$ 3,8
Net Income:				
Regulated	\$ 2,935	\$ 2,945	\$ 6,416	\$ 6,3
Non - Regulated	133	66	242	2
Inter-segment Elimination	(675)	(439)	(1,237)	(8
Consolidated Net Income	\$ 2,393	\$ 2,572	\$ 5,421	\$ 5,7
Capital Expenditures:				
Regulated	\$ 4,784	\$ 3,645	\$ 12,559	\$ 12,6
Non - Regulated	6	132	562	2
Inter-segment Elimination	--	--	--	
Total Capital Expenditures	\$ 4,790	\$ 3,777	\$ 13,121	\$ 12,8

As of	As of
September 30,	December 31,
2003	2002

Assets:		
Regulated	286,301	280,655
Non - Regulated	4,341	4,093
Inter-segment Elimination	(35,637)	(40,144)
Consolidated Assets	255,005	244,604

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

Note 5 - New Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 149, Amendments of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"), which amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 149 is generally effective after June 30, 2003. The adoption of SFAS 149 did not have any effect on the Company's financial statements.

FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities And Equity ("SFAS 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have any effect on the Company's financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements ("FIN 46"). The adoption of FIN 46 is not expected to have any effect on the Company's financial statements.

Note 6 - Contingent Liabilities

Litigation - A claim against the Company for damages involving the break of both a Company water line and an underground electric power cable containing both electric lines and petroleum based insulating fluid was recently settled. The counterclaim was dismissed and submitted to binding arbitration which is still pending. In the arbitration, the maximum damages for which the Company may be responsible is \$250,000. Management is unable to determine the outcome of the arbitration.

Another claim is pending involving a construction subcontractor, the Company's general contractor and the Company concerning a major construction project. The dispute relates to work required to be performed under a construction contract and related subcontracts and includes payment issues and timing/delay issues. The matter was instituted in 2001 and is pending in Superior Court, Middlesex County, New Jersey. The full amount at issue is not fully known at this stage of the litigation. The Company's maximum exposure in this litigation is estimated to be \$5.2 million. Any amount in this matter which is determined to be due from us, will be recorded as an addition to utility plant in service, subject to recovery in rates charged to our customers. We are unable to determine the outcome of this contingency. However, the ultimate outcome could have a material, adverse effect on the Company's Financial Statements.

Note 7 - Restatement of Condensed Consolidated Financial Statements

The condensed consolidated financial statements as of September 30, 2003 and December 31, 2002 and for the nine and twelve month periods ended September 30, 2003 and 2002 have been restated to correct the classification of certain amounts. The reclassifications were made to present the amount of Restricted Cash as a non current asset rather than a current asset in the condensed consolidated balance sheets at September 30, 2003 and December 31, 2002, and to present changes in Restricted Cash related to capital expenditures as an investing activity rather than a financing activity in the condensed consolidated statement of cash flows for the nine and twelve month periods ended September 30, 2003 and 2002. Previously, such amounts and changes in amounts therein were presented as Temporary Cash Investments - Restricted. Those amounts and changes in those amounts are currently described as Restricted Cash. The

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

restatement had no effect on reported total assets, net income, earnings applicable to common stock, cash flows from operations or liquidity.

-9-

A summary of the effects of the restatement is as follows:

CONDENSED CONSOLIDATED BALANCE SHEETS	September 30, 2003	September 30, 2003	December 31, 2003
	As Previously Reported	As Restated	As Previously Reported
Current Assets:			
Temporary Cash Investments - Restricted	\$ 4,891,680	\$ --	\$ 6,000,000
Total Current Assets	\$20,984,216	\$16,092,536	\$20,984,216
Deferred Charges and Other Assets:			
Restricted Cash	\$ --	\$ 4,891,680	\$ --
Total Deferred Charges and Other Assets	\$13,437,415	\$18,329,095	\$12,984,216
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Cash Flows From Investing Activities:	As Previously Reported	As Restated	As Previously Reported
Restricted Cash	\$ --	\$ 1,254,887	\$ --
Net Cash Used in Investing Activities:	\$ (13,591,183)	\$ (12,336,296)	\$ (12,984,216)
Cash Flows From Financing Activities:	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Temporary Cash Investments - Restricted	\$ 1,255,019	\$ --	\$ 1,255,019

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

Restricted Cash	\$	--	\$	132	\$

Net Cash Provided by Financing Activities:	\$	5,009,064	\$	3,754,177	\$ 2,

		Twelve Months Ended September 30, 2003	Twelve Months Ended September 30, 2003	Twelve Months Septem 20	
		As Previously Reported	As Restated	Prev Rep	

Cash Flows From Investing Activities:					

Restricted Cash	\$	--	\$	2,933,258	\$

Net Cash Used in Investing Activities:	\$	(17,460,966)	\$	(14,527,708)	\$ (16,

-10-

		Twelve Months Ended September 30, 2003	Twelve Months Ended September 30, 2003	Twelve Months Septem 20	
		As Previously Reported	As Restated	Previ Repo	

Cash Flows From Financing Activities:					

Temporary Cash Investments - Restricted	\$	2,933,390	\$	--	\$ (5,2
Restricted Cash	\$	--	\$	132	\$

Net Cash Provided by Financing Activities:	\$	6,140,325	\$	3,207,067	\$ 3,0

-11-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The condensed consolidated financial statements as of September 30, 2003 and December 31, 2002 and for the nine and twelve month periods ended September 30, 2003 and 2002, included in this Quarterly Report on Form 10-Q/A have been restated as discussed in Note 7 to the condensed consolidated financial statements. For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the Form 10-Q for the quarter ended September 30, 2003 as originally filed on November

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

13, 2003 that was affected by the restatement has been amended to the extent affected and restated in its entirety. NO ATTEMPT HAS BEEN MADE IN THIS FORM 10-Q/A TO MODIFY OR UPDATE OTHER DISCLOSURES AS PRESENTED IN THE ORIGINAL FORM 10-Q, EXCEPT FOR UPDATES MADE TO PART I, ITEM 4, PART II ITEM 6(a), AND EXHIBITS 31, 31.1, 32 AND 32.1.

Results of Operations - Three Months Ended September 30, 2003

Operating revenues for the three months ended September 30, 2003 were up \$0.6 million or 3.55% from the same period in 2002. Customer growth of 9.1% in Delaware provided additional facility charges and connection fees of \$0.6 million. Higher base rates in Delaware provided \$0.1 million of the increase. Offsetting some of the growth increases were the decline in consumption revenues of \$0.3 million in Delaware, due to cool wet weather during the quarter. Even though our New Jersey systems experienced similar weather as Delaware, revenue was flat compared to the prior year because of the drought restrictions in place in 2002, which were not in place in 2003. Revenues from our operations and maintenance contracts rose \$0.2 million due to scheduled increases in fixed fees under the City of Perth Amboy contract.

Operating expenses increased \$0.9 million or 6.46%. Main repair expenses increased by \$0.1 million. Water treatment expenses increased by \$0.1 million. Pumping expenses increased by \$0.1 million due to higher electricity costs. Payroll costs and employee benefits costs increased by \$0.4 million. Tidewater expenses increased by \$0.1 million as customer growth increased production related costs and the need for additional employees. There were higher sewer disposal costs of \$0.1 million for USA-PA.

Depreciation expense increased \$0.3 million, or 25.1% due mostly to the effect of a one-time reconciliation adjustment in 2002.

Allowance for Funds Used During Construction (AFUDC) increased by \$0.1 million for the year as Tidewater's capital program now includes larger projects with longer construction schedules.

Other taxes increased by less than \$0.1 million due to payroll related taxes and real estate taxes in New Jersey and Delaware. Lower income taxes of \$0.3 million over last year are attributable to unfavorable operating results during the last three months.

Net income decreased by 6.98% to \$2.4 million and basic and diluted earnings per share decreased to \$0.22 from \$0.24 per share.

-12-

Results of Operations - Nine Months Ended September 30, 2003

Operating revenues for the nine months rose \$1.8 million or 3.91% over the same period in 2002. Customer growth of 9.1% in Delaware provided additional facility charges and connection fees of \$1.2 million. Higher base rates in our Delaware service territories provided \$0.5 million of the increase. Cool wet weather in the Mid Atlantic region pushed Tidewater's consumption revenue down by \$0.4 million and Middlesex consumption revenue down by \$0.1 million. Revenues from our operations and maintenance contracts rose \$0.5 million due to scheduled increases in fixed fees under the City of Perth Amboy contract. Wastewater operations in Delaware provided \$0.1 million in additional revenues.

Operating expenses increased by \$2.2 million or 5.8%. Costs related to main breaks resulting from severe winter weather conditions in the first quarter of 2003 contributed to additional expenses of \$0.3 million. There were higher sewer

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

disposal costs of \$0.3 million for USA-PA. An increase in our Delaware employee base, general wage increases and higher costs associated with employee medical and retirement benefits pushed up costs by \$0.4 million. In New Jersey, payroll costs, employee benefits and legal fees pushed up costs by \$0.8 million. Water Treatment, Source of Supply and Pumping costs increased by \$0.4 million combined.

Other taxes increased by \$0.1 million generally due to payroll related taxes and real estate taxes in both New Jersey and Delaware. Lower income taxes of \$0.4 million over last year are attributable to the unfavorable operating results during the first nine months of 2003.

Depreciation expense increased by \$0.3 million, or 7.60% due to a higher level of utility plant in service.

Other income decreased by \$0.1 million as interest rates fell on short-term cash balance investments.

AFUDC rose \$0.1 million for the year as Tidewater's capital program now includes larger projects with longer construction schedules.

Net income decreased to \$5.4 million from \$5.7 million and basic and diluted earnings per share decreased by \$0.04 to \$0.50.

Results of Operations - Twelve Months Ended September 30, 2003

Operating revenues for the twelve months ended September 30, 2003 were up \$1.3 million to \$63.8 million. Annual customer growth of 9.1% in Delaware provided additional facility charges and connection fees of \$1.4 million. Consumption revenue fell \$0.5 million in New Jersey and \$0.03 million in Delaware due to cool and wet weather in 2003. Rate increases in Delaware accounted for \$0.5 million. Service fees from our operations and maintenance contracts rose \$0.2 million, due to increased fixed fees for sewer disposal costs under the City of Perth Amboy contract.

AFUDC increased by \$0.1 million for the year as Tidewater's capital program now includes larger projects with longer construction schedules.

Operating expenses increased \$1.6 million or 3.2%. Operations and maintenance expenses increased \$1.9 million or 5.8%. Main breaks resulting from severe winter weather conditions in the first quarter of 2003 pushed expenses up by \$0.4 million. In addition, water treatment expenses were up \$0.4 million and payroll, employee-related costs and auditing fees rose by \$0.8 million. An increase in our Delaware employee base, general wage increases and higher costs associated with insurance expense pushed up costs by \$0.3 million.

-13-

Depreciation increased by \$0.3 million, or 5.7% due to a higher level of utility plant in service.

Income taxes decreased \$0.6 million, or 14.4% as a result of the lower amount of taxable income.

Net income decreased by less than \$0.1 million. Due to an increase in average shares outstanding basic earnings per share fell by \$0.02 to \$0.69 and diluted earnings per share fell by \$0.06 to \$14.4%.

Capital Resources

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

The Company's capital program for 2003 is estimated to be \$18.0 million and includes \$11.0 million for water system additions and improvements for our Delaware systems, \$2.7 million for the RENEW Program, which is our program to clean and cement line approximately five miles of unlined mains in the Middlesex system. There is a total of approximately 143 miles of unlined mains in the 730-mile Middlesex system. The capital program also includes \$4.3 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$0.7 million for mains, \$0.8 million for service lines, \$0.3 million for meters, \$0.3 million for hydrants, \$0.1 million for computer systems and \$2.1 million for various other items.

Liquidity

To pay for its remaining capital program in 2003, Middlesex will utilize internally generated funds and funds available under existing New Jersey Environmental Infrastructure Trust (NJEIT) loans and Delaware State Revolving Fund (SRF) loans, which provides low cost financing for projects that meet certain water quality and system improvement benchmarks. The Company will also utilize short-term borrowings through \$30.0 million of available lines of credit with three commercial banks. At September 30, 2003, there was \$12.5 million outstanding against the lines of credit.

Going forward into 2004 through 2006, Middlesex currently projects that it will be required to expend approximately \$65.0 million for capital projects. Plans to finance those projects are underway as the Company expects to receive approval to borrow up to \$17.0 million under the NJEIT program in November of 2004. Middlesex is also seeking permission from the New Jersey Board of Public Utilities (BPU) to issue up to 800,000 shares of Middlesex common stock, which based on the common stock's closing price on September 30, 2003, could provide up to \$14.0 million if approved and actually issued. We expect to receive BPU approval in November 2003 and ultimately issue the stock in January 2004. There can be no assurance, however, that we will receive BPU approval or that we will consummate any sale of our common stock. We anticipate that some additional capital projects in Delaware will be eligible for the SRF program in that State and are pursuing those opportunities. We also expect to use internally generated funds and proceeds from the sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan.

Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 149, Amendments of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"), which amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 149 is generally effective after June 30, 2003. The adoption of SFAS 149 did not have any effect on the Company's financial statements. We are unable determine the outcome of this contingency. However, the ultimate outcome could have a material, adverse effect on the Company's Financial Statements.

-14-

FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities And Equity ("SFAS 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have any effect on the Company's financial statements.

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements ("FIN 46"). The adoption of FIN 46 is not expected to have any effect on the Company's financial statements.

Outlook

While revenues continue to grow in Delaware because of customer growth and rate increases, cool wet weather has reduced consumption demands in our New Jersey and Delaware systems. This trend has continued into the fourth quarter in both New Jersey and Delaware. Also, certain operating costs will continue to increase as we go forward. With the deregulation of the electricity generation market in New Jersey on August 1, 2003, Middlesex electric commodity costs have increased over 40%. On that same date the remaining regulated portion of the electricity rates rose 15%. The New Jersey Water Supply Authority has changed the way it contracts for supplemental water purchases with all contract customers, including Middlesex. These changes, which are effective January 1, 2004, are expected to increase our cost of raw water by at least 8.5%. Costs for the employee pension plan continue to rise as the return on plan assets have dropped due to the overall performance of the stock market prior to 2003. These increasing costs, when added to already higher costs for business insurances and security costs, prompted Middlesex to file for a 17.82% base rate increase with the BPU on November 5, 2003. The Company currently anticipates that this matter could be decided by the summer of 2004. There is no certainty that the BPU will approve any or all of the requested increase.

Tidewater received approval for a 2.49% Distribution System Improvement Charge (DSIC) from the Delaware Public Service Commission (PSC), effective for services rendered on or after July 1, 2003. The DSIC is a separate rate mechanism that allows for cost recovery of certain capital improvement costs incurred in between base rate filings. Delaware regulated water utilities are allowed to apply for a DSIC every six months with the maximum increase limited to 5.0% in any six month period and a 7.5% overall limitation. Tidewater expects to file for another DSIC to be effective January 1, 2004, which can not exceed 2.51% based on the aforementioned annual limit. In addition, because Tidewater continues to make significant capital additions and improvements to its new and existing systems, it believes it will be necessary to file for a base rate increase by early Spring 2004. That increase request, which is expected to be in excess of 20%, is due to the \$20.0 million of additional utility plant placed in service or to be placed in service since the last rate case.

The Company continues to pursue regulated and non-regulated opportunities in New Jersey and Delaware. White Marsh Environmental Systems, a wholly-owned subsidiary of Tidewater, has begun a campaign to acquire contracts to operate non-regulated wastewater systems throughout Delaware. Systems currently under contract or expected to be signed shortly will generate annual revenues of approximately \$130,000. Although the expected results of operations are not material compared to the consolidated group, we believe it puts us in a better position to obtain additional wastewater and water projects in Delaware.

-15-

Forward Looking Information

Certain matters discussed in this report on Form 10-Q/A are "forward-looking statements" intended to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such statements may address future plans, objectives, expectations and events concerning various matters such as capital expenditures, earnings, litigation, growth potential,

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

rate and other regulatory matters, liquidity, capital resources and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate, long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$1.1 million of the current portion of nine existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings would not have a material effect on earnings.

Item 4. Controls and Procedures

Subsequent to the evaluation referenced in Middlesex Water Company's Quarterly report on Form 10-Q filed November 13, 2003, the Company has re-evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The re-evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective during the period covered by this quarterly report. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its re-evaluation except for the following change in internal controls over financial reporting.

Management has identified a significant deficiency in the operation of internal controls over financial reporting relating to the classification of cash restricted for construction projects on the Consolidated Balance Sheet as a non-current asset and the change in cash restricted for construction projects on the Consolidated Statements of Cash Flows as an investing activity. As a result thereof, management has expanded its periodic review process of asset classification decisions to enhance the reliability and effectiveness of the financial reporting process.

Based upon the foregoing, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's internal controls over financial reporting are effective in meeting the objectives as described below based on the aforementioned changes in internal controls.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding disclosure.

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

A claim against the Company for damages involving the break of both a Company water line and an underground electric power cable containing both electric lines and petroleum based insulating fluid was recently settled. The counterclaim was dismissed and submitted to binding arbitration which is still pending. In the arbitration, the maximum damages for which the Company may be responsible is \$250,000. Management is unable to determine the outcome of the arbitration.

Another claim is pending involving a construction subcontractor, the Company's general contractor and the Company concerning a major construction project. The dispute relates to work required to be performed under a construction contract and related subcontracts and includes payment issues and timing/delay issues. The matter was instituted in 2001 and is pending in Superior Court, Middlesex County, New Jersey. The full amount at issue is not fully known at this stage of the litigation. The Company's maximum exposure in this litigation is estimated to be \$5.2 million. Any amount in this matter which is determined to be due from us, will be recorded as an addition to utility plant in service, subject to recovery in rates charged to our customers. We are unable to determine the outcome of this contingency. However, the ultimate outcome could have a material, adverse effect on the Company's Financial Statements.

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: Exhibit 31: Section 302 Certification by Dennis G. Sullivan Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934

Exhibit 31.1: Section 302 Certification by A. Bruce O'Connor Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

Exhibit 32: Section 906 Certification by Dennis G. Sullivan Pursuant to 18 U.S.C.ss.1350

-17-

Exhibit 32.1: Section 906 Certification by A. Bruce O'Connor

Edgar Filing: MIDDLESEX WATER CO - Form 10-Q/A

Pursuant to 18 U.S.C.ss.1350

(b) Reports on Form 8-K: Filed September 16, 2003 for Stock Split and Stock Offering Disclosure.
Filed October 31, 2003 for Third Quarter Earnings Release.
Filed November 6, 2003 for Middlesex Water Company Rate Case Filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MIDDLESEX WATER COMPANY

By: /s/ A. Bruce O'Connor

A. Bruce O'Connor
Vice President and Controller and
Chief Financial Officer