

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: June 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 June 30, 2003
-----	-----
Common Stock, No Par Value	7,859,926

Explanatory Note - Restatement of condensed consolidated financial statements

The condensed consolidated financial statements as of June 30, 2003 and December 31, 2002 and for the six and twelve month periods ended June 30, 2003 and 2002, included in this Quarterly Report on Form 10-Q/A have been restated as discussed in Note 6 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 June 30, 2003 as originally filed on August 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

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

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	10
Item 3. Quantitative and Qualitative Disclosures of Market Risk	13
Item 4. Controls and Procedures	14
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	14
Item 2. Changes in Securities	14
Item 3. Defaults upon Senior Securities	14
Item 4. Submission of Matters to a Vote of Security Holders	15
Item 5. Other Information	15
Item 6. Exhibits and Reports on Form 8-K	15
SIGNATURE	16

MIDDLESEX WATER COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----
Operating Revenues	\$ 15,997,966	\$ 15,525,335	\$ 30,979,339	\$ 29,7
	-----	-----	-----	-----

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

Operating Expenses:				
Operations	7,793,242	7,524,713	15,604,871	14,7
Maintenance	805,824	659,835	1,781,678	1,3
Depreciation	1,338,617	1,312,830	2,618,797	2,6
Other Taxes	1,961,134	1,940,649	3,869,262	3,7
Income Taxes	991,545	1,036,013	1,621,278	1,7
	-----	-----	-----	-----
Total Operating Expenses	12,890,362	12,474,040	25,495,886	24,1
	-----	-----	-----	-----
Operating Income	3,107,604	3,051,295	5,483,453	5,5
Other Income:				
Allowance for Funds Used During Construction	65,199	81,691	157,805	1
Other Income	22,248	11,940	42,191	
Other Expense	(48,555)	(7,125)	(67,724)	(
	-----	-----	-----	-----
Total Other Income	38,892	86,506	132,272	1
Interest Charges	1,342,690	1,248,442	2,587,038	2,5
	-----	-----	-----	-----
Net Income	1,803,806	1,889,359	3,028,687	3,1
Preferred Stock Dividend Requirements	63,696	63,696	127,393	1
	-----	-----	-----	-----
Earnings Applicable to Common Stock	\$ 1,740,110	\$ 1,825,663	\$ 2,901,294	\$ 3,0
	=====	=====	=====	=====
Earnings per share of Common Stock:				
Basic	\$ 0.22	\$ 0.24	\$ 0.37	\$
Diluted	\$ 0.22	\$ 0.24	\$ 0.37	\$
Weighted Average Number of				
Common Shares Outstanding :				
Basic	7,844,447	7,702,843	7,814,329	7,6
Diluted	8,101,802	7,960,198	8,071,684	7,9
Cash Dividends Paid per Common Share	\$ 0.215	\$ 0.210	\$ 0.430	\$

See Notes to Condensed Consolidated Financial Statements.

-1-

MIDDLESEX WATER COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

Restated

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

Note 6

	June 30, 2003	December 31, 2002
UTILITY PLANT:		
Water Production	\$ 73,352,025	\$ 72,212,878
Transmission and Distribution	164,569,626	158,412,075
General	18,836,767	18,618,211
Construction Work in Progress	6,669,656	6,619,767
	-----	-----
TOTAL	263,428,074	255,862,931
Less Accumulated Depreciation	50,148,452	47,919,527
	-----	-----
UTILITY PLANT-NET	213,279,622	207,943,404
	-----	-----
NONUTILITY ASSETS-NET	3,608,108	3,424,492
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	2,782,476	2,937,894
Accounts Receivable (net of allowance for doubtful accounts)	6,294,080	6,028,302
Unbilled Revenues	3,870,049	3,181,091
Materials and Supplies (at average cost)	1,412,922	1,190,337
Prepayments and Other Current Assets	1,381,002	815,392
	-----	-----
TOTAL CURRENT ASSETS	15,740,529	14,153,016
	-----	-----
DEFERRED CHARGES AND OTHER ASSETS:		
Unamortized Debt Expense	3,297,286	3,239,364
Preliminary Survey and Investigation Charges	1,533,607	1,098,468
Regulatory Assets		
Income Taxes	6,287,873	6,287,873
Post Retirement Costs	826,156	869,260
Restricted Cash	5,243,878	6,146,699
Other	1,335,890	1,441,656
	-----	-----
TOTAL DEFERRED CHARGES AND OTHER ASSETS	18,524,690	19,083,320
	-----	-----
TOTAL ASSETS	\$ 251,152,949	\$ 244,604,232
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

-2-

MIDDLESEX WATER COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

	June 30, 2003	December 31, 2002
	-----	-----
TOTAL CAPITALIZATION (see accompanying statements)	\$179,716,005	\$168,047,689
	-----	-----
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	1,059,279	639,427
Notes Payable	8,975,000	17,650,000
Accounts Payable	3,753,896	2,059,877
Taxes Accrued	7,034,893	5,898,751
Interest Accrued	1,669,283	1,614,278
Other	1,501,719	1,716,270
	-----	-----
TOTAL CURRENT LIABILITIES	23,994,070	29,578,603
	-----	-----
COMMITMENTS AND CONTINGENT LIABILITIES (NOTE 5)		
DEFERRED CREDITS:		
Customer Advances for Construction	10,680,522	10,881,815
Accumulated Deferred Investment Tax Credits	1,814,491	1,853,799
Accumulated Deferred Federal Income Taxes	13,357,393	13,241,901
Employee Benefit Plans	5,689,389	5,279,737
Other	721,802	814,897
	-----	-----
TOTAL DEFERRED CREDITS	32,263,597	32,072,149
	-----	-----
CONTRIBUTIONS IN AID OF CONSTRUCTION	15,179,277	14,905,791
	-----	-----
TOTAL CAPITALIZATION AND LIABILITIES	\$251,152,949	\$244,604,232
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

-3-

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

	June 30, 2003	December 31, 2002
	-----	-----
CAPITALIZATION:		
Common Stock, No Par Value		
Shares Authorized, 20,000,000		

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

Shares Outstanding - 2003 - 7,859,926	\$ 55,840,359	\$ 53,866,250
2002 - 7,767,367		
Restricted Stock Plan	(447,241)	(552,081)
	-----	-----
TOTAL COMMON STOCK	55,393,118	53,314,169
	-----	-----
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	1,562,505	1,562,505
Shares Outstanding, \$8.00 Series - 12,000	1,398,857	1,398,857
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
	-----	-----
TOTAL CUMULATIVE PREFERRED STOCK	4,063,062	4,063,062
	-----	-----
Long-term Debt:		
8.05% Amortizing Secured Note, due December 20, 2021	3,170,716	3,203,401
6.25% Amortizing Secured Note, due May 22, 2028	10,465,000	--
4.22% State Revolving Trust Note, due December 31, 2022	192,281	67,350
4.00% State Revolving Trust Bond, due September 1, 2021	850,000	850,000
0.00% State Revolving Fund Bond, due September 1, 2021	718,634	730,017
First Mortgage Bonds:		
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	23,000,000
0.00%, Series X, due September 1, 2018	848,464	862,088
4.25%, Series Y, due September 1, 2018	1,010,000	1,010,000
0.00%, Series Z, due September 1, 2019	1,875,500	1,907,568
5.25%, Series AA, due September 1, 2019	2,265,000	2,265,000
0.00%, Series BB, due September 1, 2021	2,251,718	2,287,385
4.00%, Series CC, due September 1, 2021	2,440,000	2,440,000
5.10%, Series DD, due January 1, 2032	6,000,000	6,000,000
	-----	-----
SUBTOTAL LONG-TERM DEBT	98,587,313	88,122,809
	-----	-----
Less: Current Portion of Long-term Debt	(1,059,279)	(639,427)
	-----	-----
TOTAL LONG-TERM DEBT	97,528,034	87,483,382
	-----	-----
TOTAL COMMON STOCK, PREFERRED STOCK AND LONG-TERM DEBT	\$ 156,984,214	\$ 144,860,613
	=====	=====
	Six Months	Year Ended
	Ended	December 31,
	June 30, 2003	2002
	-----	-----
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$ 23,187,076	\$ 22,190,691
Net Income	3,028,687	7,765,353
	-----	-----
TOTAL	26,215,763	29,956,044
	-----	-----
Cash Dividends:		

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

Cumulative Preferred Stock	127,393	254,786
Common Stock	3,356,579	6,510,494
Common Stock Expenses	--	3,688
	-----	-----
TOTAL DEDUCTIONS	3,483,972	6,768,968
	-----	-----
BALANCE AT END OF PERIOD	\$ 22,731,791	\$ 23,187,076
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

-4-

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

	Restated Note 6		
	Six Months Ended June 30, 2003	2002	Twelve Months Ended June 30, 2003
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 3,028,687	\$ 3,166,065	\$ 7,038,620
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	2,812,856	2,804,251	4,617,107
Provision for Deferred Income Taxes	76,184	90,289	1,487,413
Allowance for Funds Used During Construction	(157,805)	(137,551)	(305,356)
Changes in Current Assets and Liabilities:			
Accounts Receivable	(265,778)	560,162	(291,614)
Accounts Payable	1,694,019	1,367,259	3,061,278
Accrued Taxes	1,136,142	443,512	1,579,654
Accrued Interest	55,005	(21,123)	33,882
Unbilled Revenues	(688,958)	(864,041)	(1,553,000)
Employee Benefit Plans	409,652	(276,646)	133,006
Other-Net	(1,061,384)	(748,014)	(1,809,398)
	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,038,620	6,384,163	11,038,620
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures*	(8,331,615)	(9,044,088)	(15,375,703)
Restricted Cash	902,689	1,123,856	2,026,545
Proceeds from Real Estate Dispositions	344,972	--	344,972
Preliminary Survey and Investigation Charges	(435,139)	(9,957)	(445,096)
Other-Net	13,689	(31,143)	(17,454)
	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(7,505,404)	(7,961,332)	(13,072,636)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	(160,427)	(6,077,409)	(6,237,836)
	-----	-----	-----

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

Proceeds from Issuance of Long-term Debt	10,624,931	6,000,000	10,
Short-term Bank Borrowings	(8,675,000)	(600,000)	(3,
Deferred Debt Issuance Expenses	(145,442)	(600,208)	
Restricted Cash	132	219,588	
Proceeds from Issuance of Common Stock-Net	2,078,949	2,391,794	2,
Payment of Common Dividends	(3,356,579)	(3,219,158)	(6,
Payment of Preferred Dividends	(127,393)	(127,393)	(
Construction Advances and Contributions-Net	72,193	336,477	
	-----	-----	-----
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	311,364	(1,676,309)	3,
	-----	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	(155,420)	(3,253,478)	1,
	-----	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,937,894	4,534,384	1,
	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,782,474	\$ 1,280,906	\$ 2,
	=====	=====	=====

\* Excludes Allowance for Funds Used During Construction

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash Paid During the Period for:

Interest (net of amounts capitalized)	\$ 2,322,428	\$ 2,420,438	\$ 4,
Income Taxes	\$ 819,897	\$ 1,622,500	\$ 3,

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. 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 the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2003 and the results of operations and cash flows for the periods ended June 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



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

Common Stock - During the six months ended June 30, 2003, there were 92,559 common shares (\$2.1 million) issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan. The Plan is offering a 5% discount on optional cash payments and reinvested dividends that began on February 28, 2003. The discount is scheduled to continue until the earlier of September 2, 2003 or when 150,000 shares are issued during the discount period.

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. 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.

(In Thousands Except for per Share Amounts)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2003 Income	Shares	2002 Income	Shares	2003 Income	Shares	2002 Income	Shares
<b>Basic:</b>								
Net Income	\$1,804	7,844	\$1,890	7,703	\$3,028	7,814	\$3,166	7,672
Preferred Dividend	(64)		(64)		(127)		(127)	
Earnings Applicable to Common Stock	\$1,740	7,844	\$1,826	7,703	\$2,901	7,814	\$3,039	7,672
Basic EPS	\$ 0.22		\$ 0.24		\$ 0.37		\$ 0.40	
<b>Diluted:</b>								
Earnings Applicable to Common Stock	\$1,740	7,844	\$1,826	7,703	\$2,901	7,814	\$3,039	7,672
\$7.00 Series Dividend	26	134	26	134	52	134	52	134
\$8.00 Series Dividend	24	123	24	123	48	123	48	123
Adjusted Earnings								

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

Applicable to Common Stock	\$1,790	8,101	\$1,876	7,960	\$3,001	8,071	\$3,139	7,929
Diluted EPS	\$ 0.22		\$ 0.24		\$ 0.37		\$ 0.40	

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. 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-

	(Thousands of Dollars)					
	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
Operations by Segments:	2003	2002	2003	2002	2003	2002
-----						
Revenues:						
Regulated	\$ 14,118	\$ 13,661	\$ 27,067	\$ 26,188	\$ 55,277	\$ 53,818
Non - Regulated	1,904	1,873	3,948	3,585	7,939	7,939
Inter-segment Elimination	(24)	(9)	(36)	(18)	(59)	(59)
	-----	-----	-----	-----	-----	-----
Consolidated Revenues	\$ 15,998	\$ 15,525	\$ 30,979	\$ 29,755	\$ 63,157	\$ 63,157
	-----	-----	-----	-----	-----	-----
Operating Income:						
Regulated	\$ 3,026	\$ 2,970	\$ 5,299	\$ 5,427	\$ 11,904	\$ 11,904
Non - Regulated	82	81	184	136	483	483
Inter-segment Elimination	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Consolidated Operating Income	\$ 3,108	\$ 3,051	\$ 5,483	\$ 5,563	\$ 12,387	\$ 12,387
	-----	-----	-----	-----	-----	-----
Depreciation:						
Regulated	\$ 1,326	\$ 1,303	\$ 2,596	\$ 2,590	\$ 4,931	\$ 4,931
Non - Regulated	13	10	23	19	43	43
Inter-segment Elimination Cons	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Depreciation	\$ 1,339	\$ 1,313	\$ 2,619	\$ 2,609	\$ 4,974	\$ 4,974
	-----	-----	-----	-----	-----	-----
Other Income:						

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

Regulated	\$ 795	\$ 682	\$ 1,405	\$ 1,104	\$ 3,077	\$
Non - Regulated	(33)	1	(33)	35	(46)	
Inter-segment Elimination	(723)	(596)	(1,240)	(954)	(2,642)	
	-----	-----	-----	-----	-----	-----
Consolidated Other Income	\$ 39	\$ 87	\$ 132	\$ 185	\$ 389	\$
	-----	-----	-----	-----	-----	-----
Interest Expense:						
Regulated	\$ 1,672	\$ 1,526	\$ 3,222	\$ 3,107	\$ 6,398	\$
Non - Regulated	28	13	43	26	71	
Inter-segment Elimination	(357)	(291)	(678)	(551)	(1,320)	
	-----	-----	-----	-----	-----	-----
Consolidated Interest Expense	\$ 1,343	\$ 1,248	\$ 2,587	\$ 2,582	\$ 5,149	\$
	-----	-----	-----	-----	-----	-----
Net Income:						
Regulated	\$ 2,149	\$ 2,126	\$ 3,482	\$ 3,424	\$ 8,581	\$
Non - Regulated	21	69	109	145	368	
Inter-segment Elimination	(366)	(305)	(562)	(403)	(1,321)	
	-----	-----	-----	-----	-----	-----
Consolidated Net Income	\$ 1,804	\$ 1,890	\$ 3,029	\$ 3,166	\$ 7,628	\$
	-----	-----	-----	-----	-----	-----
Capital Expenditures:						
Regulated	\$ 4,304	\$ 5,215	\$ 7,775	\$ 8,975	\$ 14,860	\$ 1
Non - Regulated	(114)	25	557	69	917	
Inter-segment Elimination	--	--	--	--	--	
	-----	-----	-----	-----	-----	-----
Total Capital Expenditures	\$ 4,190	\$ 5,240	\$ 8,332	\$ 9,044	\$ 15,777	\$ 1
	-----	-----	-----	-----	-----	-----

	As of June 30, 2003	As of December 31, 2002
	-----	-----
Assets:		
Regulated	\$ 280,425	\$ 280,655
Non - Regulated	4,134	4,093
Inter-segment Elimination	(33,406)	(40,144)
	-----	-----
Consolidated Assets	\$ 251,153	\$ 244,604
	-----	-----

-8-

Note 5 - Commitments and Contingent Liabilities

Litigation - A claim is pending against the Company for damages in excess of \$10.0 million involving the break of both a Company water line and an underground electric power cable in close proximity to it. The power cable contained both electric lines and petroleum based insulating fluid. The Company is insured for damages except for damages resulting from pollution discharge, which the Company is advised is approximately \$0.2 million. Causation and liability have not been established. Management is unable to determine the outcome of the litigation and its impact on the financial conditions or results of operations.

A claim is pending involving a construction subcontractor, the Company's general contractor and the Company concerning a major construction project. The dispute

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

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. At this time, management is unable to determine the impact, if any, on the financial statements.

Note 6 - Restatement of Condensed Consolidated Financial Statements

The condensed consolidated financial statements as of June 30, 2003 and December 31, 2002 and for the six and twelve month periods ended June 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 June 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 statements of cash flows for the six and twelve month periods ended June 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 restatement had no effect on reported total assets, net income, earnings applicable to common stock, cash flows from operations or liquidity.

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

CONDENSED CONSOLIDATED BALANCE SHEETS	June 30, 2003	June 30, 2003	Dece
	As Previously Reported	As Restated	Pre Re
Current Assets:			
Temporary Cash Investments - Restricted	\$ 5,243,878	\$ --	\$ 6
Total Current Assets	\$ 20,984,407	\$ 15,740,529	\$ 20
Deferred Charges and Other Assets:			
Restricted Cash	\$ --	\$ 5,243,878	\$
Total Deferred Charges and Other Assets	\$ 13,280,812	\$ 18,524,690	\$ 12
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	Six Months Ended June 30, 2003	Six Months Ended June 30, 2003	Month June
Cash Flows From Investing Activities:	As Previously Reported	As Restated	Pre Re
Restricted Cash	\$ --	\$ 902,689	\$

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

-----  
 Net Cash Used in Investing Activities: \$ (8,408,093) \$ (7,505,404) \$ (9

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2003	Month June
	As Previously Reported	As Restated	Pre Re
-----			
Cash Flows From Financing Activities:			
-----			
Temporary Cash Investments -			
Restricted	\$ 902,821	\$ --	\$ 1
Restricted Cash	\$ --	\$ 132	\$
-----			
Net Cash Provided by (Used in) Financing Activities:	\$ 1,214,053	\$ 311,364	\$
-----			

-9-

	Twelve Months Ended June 30, 2003	Twelve Months Ended June 30, 2003	Tw Month June
	As Previously Reported	As Restated	Pre Re
-----			
Cash Flows From Investing Activities:			
-----			
Restricted Cash	\$ --	\$ 2,403,241	\$
-----			
Net Cash Used in Investing Activities:	\$ (15,937,904)	\$ (13,534,663)	\$ (16
-----			

	Twelve Months Ended June 30, 2003	Twelve Months Ended June 30, 2003	Month June
	As Previously Reported	As Restated	Pre Re
-----			
Cash Flows From Financing Activities:			
-----			
Temporary Cash Investments -			
Restricted	\$ 2,622,961	\$ --	\$ (5
Restricted Cash	\$ --	\$ 219,720	\$
-----			
Net Cash Provided by Financing Activities:	\$ 5,687,571	\$ 3,284,330	\$
-----			

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

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

The condensed consolidated financial statements as of June 30, 2003 and December 31, 2002 and for the six and twelve month periods ended June 30, 2003 and 2002, included in this Quarterly Report on Form 10-Q/A have been restated as discussed in Note 6 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 June 30, 2003 as originally filed on August 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 June 30, 2003

Operating revenues for the three months ended June 30, 2003 were up \$0.5 million or 3.0% from the same period in 2002. While water sales declined by \$0.1 million in our New Jersey systems due to weather conditions, revenues rose in our Delaware service territories. Quarterly customer growth of 10.9% in Delaware provided additional consumption sales, facility charges and connection fees of \$0.5 million. An increase in base rates in the first quarter of 2003 also helped to increase revenues by \$0.1 million.

Operating expenses increased \$0.4 million or 3.3%. Main repair expenses increased by \$0.1 million. Water treatment expenses rose by \$0.1 million. Payroll costs, consulting fees, and general office expenses increased by \$0.2 million.

-10-

Interest expense increased \$0.1 million or 7.5%. In addition to the higher level of overall debt outstanding as compared to last year, Tidewater converted \$10.5 million of its short-term debt to long-term debt. Although the interest rate is an attractive 6.25% for a loan with a final maturity in 2028, the interest rate is significantly higher than current short-term rates.

Net income decreased by 4.5% to \$1.8 million and basic and diluted earnings per share decreased to \$0.22 from \$0.24 per share.

#### Results of Operations - Six Months Ended June 30, 2003

Operating revenues for the six months ended June 30, 2003 were up \$1.2 million or 4.1% from the same period in 2002. Customer growth of 10.9% in Delaware provided additional consumption sales, facility charges and connection fees of \$0.7 million. An increase in base rates in the first quarter of 2003 also helped to increase revenues by \$0.2 million. Services fees from our operations and maintenance contracts rose by \$0.3 million due to an increase of fees under the City of Perth Amboy contract.

Operating expenses increased \$1.3 million or 5.4%. 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 costs of \$0.2 million associated with the City of Perth Amboy contract. Increases in payroll costs, audit fees, legal fees and employee benefits pushed

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

up costs by \$0.7 million. All other costs of operations increased by \$0.1 million.

Income taxes decreased \$0.1 million or 6.8%, reflecting a lower amount of taxable income.

Other taxes increased \$0.1 million or 2.1%, reflecting higher taxes on taxable gross revenue.

Net income decreased by \$0.1 million and basic and diluted earnings per share decreased to \$0.37 from \$0.40 per share.

### Results of Operations - Twelve Months Ended June 30, 2003

Operating revenues for the twelve months ended June 30, 2003 were up \$1.7 million to \$63.2 million amounting to a 2.7% increase. Consumption decreased by \$0.5 million in our New Jersey systems. Delaware revenues increased by \$1.6 million consisting of \$0.4 million in higher rates, \$0.3 million in water sales, and \$0.9 million in facility charges and connection fees. Service fees from our operations and maintenance contracts rose by \$0.4 million due to an increase in fees under the City of Perth Amboy contract. The acquisition of the Southern Shores Water Company in August 2001 contributed an increase of \$0.1 million. All other revenues increased by \$0.1 million.

Operating expenses increased \$1.5 million or 2.9%. Operations and maintenance expenses increased \$1.8 million or 5.4%. Costs related to main breaks resulting from severe winter weather conditions in the first quarter of 2003 contributed to additional costs of \$0.3 million. There were higher sewer costs of \$0.2 million the City of Perth Amboy contract. Higher operating costs in our Delaware operations of \$0.5 million correlates to increases in consumption, customers and employees. Increases in payroll costs, audit fees, legal fees, and employee benefits pushed up costs by \$0.7 million. All other costs of operations increased by \$0.1 million.

-11-

Interest expense increased \$0.1 million or 1.1% in addition to the higher level of overall debt outstanding as compared to last year.

Income taxes decreased \$0.2 million or 3.7%, reflecting a lower amount of taxable income.

Net income increased 4.3% to \$7.6 million. Basic earnings per share increased by \$0.03 to \$0.95 per share and diluted earnings per share increased by 2.2% to \$0.94 per share.

### Capital Resources

The Company's capital program for 2003 is estimated to be \$18.9 million and includes \$10.9 million for water system additions and improvements for our Delaware systems, \$3.0 million for the RENEW Program, which is our program to clean and cement line approximately nine 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. Additional expenditures on the upgrade to the CJO Plant are estimated at \$0.1 million. The capital program also includes \$4.9 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$0.6 million for mains, \$0.6 million for service lines, \$0.3 million for meters, \$0.1 million for hydrants, \$0.4 million for distribution system improvements and \$2.9 million for various other items.

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

### Liquidity

The capital program in Delaware will be financed through a combination of a capital contribution and short-term debt financing from Middlesex, as well as long-term financing through the State Revolving Fund (SRF) in Delaware. Middlesex, Tidewater and Bayview each have secured long-term financing with their respective state agencies for certain capital projects. SRF provides low cost financing for projects that meet certain water quality improvement benchmarks. The proceeds from those loans will be used in 2003 through 2005. (See Note 2 to the Condensed Consolidated Financial Statements.) 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). Capital expenditures of \$8.3 million have been incurred in the six months ended June 30, 2003. The Company will also utilize short-term borrowings through \$30.0 million of available lines of credit it has with three commercial banks for working capital purposes. At June 30, 2003, there was \$9.0 million outstanding against the lines of credit.

### 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 systems. This trend has continued into the third quarter in both New Jersey and Delaware. At the same time, certain operating costs will be increasing as we go forward. With the deregulation of the electricity generation market in New Jersey on August 1, 2003, Middlesex electric commodity costs are expected to increase over 30%. On that same date the remaining regulated portion of the electricity rates rose 15%. The New Jersey Water Supply Authority will be changing the way it contracts for supplemental water purchases with all contract customers, including Middlesex. These changes, which are anticipated to be 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, have prompted Middlesex to begin the process to prepare a rate relief petition for filing with the New Jersey Board of Public Utilities (BPU).

-12-

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.

The Company continues to pursue regulated and non-regulated opportunities in New Jersey and Delaware. Recently, Middlesex was identified as the successful bidder to acquire the 2,400 customer water and wastewater systems of the Borough of Keyport, New Jersey. Prior to seeking the approval of the BPU to purchase the systems, which are located in northern Monmouth County, a referendum will be placed on the ballot in November 2003 seeking approval from Keyport residents. Any acquisition would also be subject to an agreement on contract terms.

White Marsh Environmental Systems, a wholly subsidiary of Tidewater, has begun a campaign to acquire contracts to operate non-regulated wastewater systems



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

throughout Delaware. Systems currently under contract or expected to be signed shortly will generate annual revenues of approximately \$100,000. 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.

### 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, 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 Amortizing Secured Notes and First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$1.0 million of the current portion of eleven 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.

-13-

### Item 4. Controls and Procedures

Subsequent to the evaluation referenced in Middlesex Water Company's Quarterly report on Form 10-Q filed August 13, 2003, the Company has re-evaluated the effectiveness of the design and operation of its disclosure controls and procedures. This 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.

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

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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

-14-

Item 4. Submission of Matters to a Vote of Security Holders

Annual Meeting of Shareholders held on May 28, 2003.

Matters voted upon at the meeting:  
Nominees for Class I, term expiring 2006

	FOR ---	WITHHOLD -----
John C. Cutting	6,388,667	96,023
John P. Mulkerin	6,415,723	68,967
Dennis G. Sullivan	6,389,342	95,348

Nominees for Class II, term expiring 2004

	FOR ---	WITHHOLD -----
Annette Catino	6,417,915	66,775
Walter G. Reinhard	6,416,052	68,638

Resolution approving appointment of Deloitte & Touche LLP, Certified Public Accountants, as independent auditors for 2003:

FOR ---	AGAINST -----	ABSTAIN -----
------------	------------------	------------------

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

6,420,385

39,455

24,850

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
- Exhibit 32.1: Section 906 Certification by A. Bruce O'Connor Pursuant to 18 U.S.C. ss.1350
- (b) Reports on Form 8-K: Filed August 1, 2003

-15-

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

-16-