

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: March 31, 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 March 31, 2003 -----
Common Stock, No Par Value	7,810,409

Explanatory Note - Restatement of condensed consolidated financial statements

The condensed consolidated financial statements as of March 31, 2003 and December 31, 2002 and for the three and twelve month periods ended March 31, 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 March 31, 2003 as originally filed on May 12, 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

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

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	12
Item 4. Controls and Procedures	12
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	13
Item 2. Changes in Securities	13
Item 3. Defaults upon Senior Securities	13
Item 4. Submission of Matters to a Vote of Security Holders	13
Item 5. Other Information	13
Item 6. Exhibits and Reports on Form 8-K	13
SIGNATURE	14

MIDDLESEX WATER COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended March 31,	Twelve Months Ended Ma
	2003	2003
	-----	-----

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

Operating Revenues	\$ 14,981,373	\$ 14,229,403	\$ 62,684,756
	-----	-----	-----
Operating Expenses:			
Operations	7,811,629	7,213,568	30,516,982
Maintenance	975,854	657,564	3,165,499
Depreciation	1,280,180	1,295,718	4,947,730
Other Taxes	1,908,128	1,847,666	7,797,617
Income Taxes	629,733	702,899	3,926,129
	-----	-----	-----
Total Operating Expenses	12,605,524	11,717,415	50,353,957
	-----	-----	-----
Operating Income	2,375,849	2,511,988	12,330,799
Other Income:			
Allowance for Funds Used During Construction	92,606	70,283	291,991
Other Income	19,944	43,607	225,660
Other Expense	(19,170)	(15,694)	(80,590)
	-----	-----	-----
Total Other Income	93,380	98,196	437,061
Interest Charges	1,244,348	1,333,478	5,054,333
	-----	-----	-----
Net Income	1,224,881	1,276,706	7,713,528
Preferred Stock Dividend Requirements	63,697	63,697	254,786
	-----	-----	-----
Earnings Applicable to Common Stock	\$ 1,161,184	\$ 1,213,009	\$ 7,458,742
	=====	=====	=====
Earnings per share of Common Stock:			
Basic	\$ 0.15	\$ 0.16	\$ 0.96
Diluted	\$ 0.15	\$ 0.16	\$ 0.96
Weighted Average Number of Common Shares Outstanding :			
Basic	7,783,877	7,639,843	7,745,741
Diluted	8,041,232	7,897,198	8,003,096
Cash Dividends Paid per Common Share	\$ 0.215	\$ 0.210	\$ 0.850

See Notes to Condensed Consolidated Financial Statements.

-1-

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

(Unaudited)

	Restated Note 6	
	March 31, 2003	December 31, 2002
	-----	-----
UTILITY PLANT:		
Water Production	\$ 73,034,406	\$ 72,212,878
Transmission and Distribution	162,514,527	158,412,075
General	18,810,740	18,618,211
Construction Work in Progress	4,904,817	6,619,767
	-----	-----
TOTAL	259,264,490	255,862,931
Less Accumulated Depreciation	49,027,484	47,919,527
	-----	-----
UTILITY PLANT-NET	210,237,006	207,943,404
	-----	-----
NONUTILITY ASSETS-NET	3,736,618	3,424,492
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	4,923,968	2,937,894
Accounts Receivable (net of allowance for doubtful accounts)	5,535,992	6,028,302
Unbilled Revenues	3,140,548	3,181,091
Materials and Supplies (at average cost)	1,261,034	1,190,337
Prepayments and Other Current Assets	613,440	815,392
	-----	-----
TOTAL CURRENT ASSETS	15,474,982	14,153,016
	-----	-----
DEFERRED CHARGES AND OTHER ASSETS:		
Unamortized Debt Expense	3,200,904	3,239,364
Preliminary Survey and Investigation Charges	1,397,671	1,098,468
Regulatory Assets		
Income Taxes	6,287,873	6,287,873
Post Retirement Costs	847,708	869,260
Restricted Cash	5,396,206	6,146,699
Other	1,425,092	1,441,656
	-----	-----
TOTAL DEFERRED CHARGES AND OTHER ASSETS	18,555,454	19,083,320
	-----	-----
TOTAL ASSETS	\$248,004,060	\$244,604,232
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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

MIDDLESEX WATER COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2003	December 31, 2002
	-----	-----
TOTAL CAPITALIZATION (see accompanying statements)	\$168,526,024	\$168,047,689
	-----	-----
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	637,729	639,427
Notes Payable	18,475,000	17,650,000
Accounts Payable	2,453,722	2,059,877
Taxes Accrued	7,864,708	5,898,751
Interest Accrued	1,190,803	1,614,278
Other	1,337,371	1,716,270
	-----	-----
TOTAL CURRENT LIABILITIES	31,959,333	29,578,603
	-----	-----
COMMITMENTS AND CONTINGENT LIABILITIES (Note 5)		
DEFERRED CREDITS:		
Customer Advances for Construction	10,937,971	10,881,815
Accumulated Deferred Investment Tax Credits	1,834,145	1,853,799
Accumulated Deferred Federal Income Taxes	13,329,517	13,241,901
Employee Benefit Plans	5,513,564	5,279,737
Other	746,267	814,897
	-----	-----
TOTAL DEFERRED CREDITS	32,361,464	32,072,149
	-----	-----
CONTRIBUTIONS IN AID OF CONSTRUCTION	15,157,239	14,905,791
	-----	-----
TOTAL CAPITALIZATION AND LIABILITIES	\$248,004,060	\$244,604,232
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

-3-

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

CAPITALIZATION:

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

Common Stock, No Par Value (Note 6):

Shares Authorized, 20,000,000

Shares Outstanding - 2003 - 7,810,409

2002 - 7,767,367

Restricted Stock Plan

TOTAL COMMON STOCK

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

Shares Outstanding, \$8.00 Series - 12,000

Nonredeemable:

Shares Outstanding, \$7.00 Series - 1,017

Shares Outstanding, \$4.75 Series - 10,000

TOTAL CUMULATIVE PREFERRED STOCK

Long-term Debt:

8.05% Amortizing Secured Note, due December 20, 2021

4.22% State Revolving Trust Note, due December 31, 2022

4.00% State Revolving Trust Bond, due September 1, 2021

0.00% State Revolving Fund Bond, due September 1, 2021

First Mortgage Bonds:

5.20%, Series S, due October 1, 2022

5.25%, Series T, due October 1, 2023

6.40%, Series U, due February 1, 2009

5.25%, Series V, due February 1, 2029

5.35%, Series W, due February 1, 2038

0.00%, Series X, due September 1, 2018

4.25%, Series Y, due September 1, 2018

0.00%, Series Z, due September 1, 2019

5.25%, Series AA, due September 1, 2019

0.00%, Series BB, due September 1, 2021

4.00%, Series CC, due September 1, 2021

5.10%, Series DD, due January 1, 2032

SUBTOTAL LONG-TERM DEBT

Less: Current Portion of Long-term Debt

TOTAL LONG-TERM DEBT

TOTAL COMMON STOCK, PREFERRED STOCK AND LONG-TERM DEBT

RETAINED EARNINGS:

BALANCE AT BEGINNING OF PERIOD

Net Income

TOTAL

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

Cash Dividends:  
 Cumulative Preferred Stock  
 Common Stock  
 Common Stock Expenses

TOTAL DEDUCTIONS

BALANCE AT END OF PERIOD

See Notes to Condensed Consolidated Financial Statements.

-4-

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

	Three Months Ended March 31, 2003	2002	Restate Note 6
	-----	-----	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 1,224,881	\$ 1,276,706	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	1,391,893	1,392,152	
Provision for Deferred Income Taxes	39,393	766	
Allowance for Funds Used During Construction	(92,606)	(70,283)	
Changes in Current Assets and Liabilities:			
Accounts Receivable	492,310	1,240,077	
Accounts Payable	393,845	(262,284)	
Accrued Taxes	1,965,957	2,044,084	
Accrued Interest	(423,475)	(963,699)	
Unbilled Revenues	40,543	(175,652)	
Employee Benefit Plans	233,827	151,873	
Other-Net	(250,724)	(371,978)	
	-----	-----	
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,015,844	4,261,762	
	-----	-----	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures*	(3,797,087)	(3,803,987)	
Restricted Cash	750,349	1,179,098	
Note Receivable	--	--	
Preliminary Survey and Investigation Charges	(299,203)	32,899	
Other-Net	(32,891)	(5,366)	
	-----	-----	
NET CASH USED IN INVESTING ACTIVITIES	(3,378,832)	(2,597,356)	
	-----	-----	
CASH FLOWS FROM FINANCING ACTIVITIES:			

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

Redemption of Long-term Debt	(108,901)	(6,062,301)
Proceeds from Issuance of Long-term Debt	124,931	6,000,000
Short-term Bank Borrowings	825,000	(1,600,000)
Deferred Debt Issuance Expenses	(35,442)	(600,301)
Restricted Cash	144	--
Proceeds from Issuance of Common Stock-Net	970,100	769,693
Payment of Common Dividends	(1,670,677)	(1,602,400)
Payment of Preferred Dividends	(63,697)	(63,697)
Construction Advances and Contributions-Net	307,604	50,310
	-----	-----
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	349,062	(3,108,696)
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,986,074	(1,444,290)
	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,937,894	4,534,384
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,923,968	\$ 3,090,094
	=====	=====

\* Excludes Allowance for Funds Used During Construction

### SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash Paid During the Period for:

Interest (net of amounts capitalized)	\$ 1,578,168	\$ 2,217,732
Income Taxes	\$ --	\$ 60,000

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 March 31, 2003 and the results of operations and its cash flows for the periods ended March 31, 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.



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

### Note 2 - Capitalization

Common Stock - During the three months ended March 31, 2003, there were 43,042 common shares (\$0.9 million) issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan. The increase in participation in this Plan can be attributed to the 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 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 is in the process of completing a loan transaction of \$10.5 million with CoBank, a financial institution specializing in loans to rural utilities. Terms of the loan include a maximum loan life of twenty-five years with monthly principal payments. The proceeds will be used to retire short-term debt. The CoBank loan is expected to close in May 2003.

-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				Twelve Months Ended	
	March 31		March 31		March 31	
	2003		2002		2003	
Basic:	Income	Shares	Income	Shares	Income	Shares
Net Income	\$1,225	7,784	\$1,277	7,640	\$7,714	7,746
Preferred Dividend	(64)		(64)		(255)	
Earnings Applicable to Common Stock	\$1,161	7,784	\$1,213	7,640	\$7,459	7,746
Basic EPS	\$ 0.15		\$ 0.16		\$ 0.96	
<b>Diluted:</b>						
Earnings Applicable to Common Stock	\$1,161	7,784	\$1,213	7,640	\$7,459	7,746
\$7.00 Series Dividend	26	134	26	134	104	134
\$8.00 Series Dividend	24	123	24	123	96	123
Adjusted Earnings Applicable to						

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

Common Stock	\$1,211	8,041	\$1,263	7,897	\$7,659	8,003	\$
Diluted EPS	\$ 0.15		\$ 0.16		\$ 0.96		\$

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:	(Thousands of Dollars)			
	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2003	2002	2003	2002
Revenues:				
Regulated	\$ 12,949	\$ 12,527	\$ 54,820	\$ 53,820
Non - Regulated	2,044	1,711	7,909	7,909
Inter-segment Elimination	(12)	(9)	(44)	(44)
Consolidated Revenues	\$ 14,981	\$ 14,229	\$ 62,685	\$ 60,685
Operating Income:				
Regulated	\$ 2,273	\$ 2,456	\$ 11,849	\$ 11,849
Non - Regulated	103	56	482	482
Inter-segment Elimination	--	--	--	--
Consolidated Operating Income	\$ 2,376	\$ 2,512	\$ 12,331	\$ 11,849
Depreciation:				
Regulated	\$ 1,270	\$ 1,287	\$ 4,908	\$ 4,908
Non - Regulated	10	9	40	40
Inter-segment Elimination	--	--	--	--
Consolidated Depreciation	\$ 1,280	\$ 1,296	\$ 4,948	\$ 4,948
Other Income:				
Regulated	\$ 610	\$ 422	\$ 2,964	\$ 2,964
Non - Regulated	--	34	(12)	(12)

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

Inter-segment Elimination	(517)	(358)	(2,515)	(1,
Consolidated Other Income	\$ 93	\$ 98	\$ 437	\$
Interest Expense:				
Regulated	\$ 1,550	\$ 1,581	\$ 6,252	\$ 6,
Non - Regulated	15	13	56	
Inter-segment Elimination	(321)	(261)	(1,254)	(
Consolidated Interest Expense	\$ 1,244	\$ 1,333	\$ 5,054	\$ 5,
Net Income:				
Regulated	\$ 1,333	\$ 1,298	\$ 8,558	\$ 7,
Non - Regulated	88	76	416	
Inter-segment Elimination	(196)	(97)	(1,260)	(
Consolidated Net Income	\$ 1,225	\$ 1,277	\$ 7,714	\$ 7,
Capital Expenditures:				
Regulated	\$ 3,471	\$ 3,760	\$ 15,771	\$ 15,
Non - Regulated	326	44	711	
Inter-segment Elimination	--	--	--	
Total Capital Expenditures	\$ 3,797	\$ 3,804	\$ 16,482	\$ 15,
	As of	As of		
	March 31,	December 31,		
	2003	2002		
Assets:				
Regulated	\$ 284,482	\$ 280,655		
Non - Regulated	4,163	4,093		
Inter-segment Elimination	(40,641)	(40,144)		
Consolidated Assets	\$ 248,004	\$ 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 relates to work required to be performed under a construction contract and

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

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 March 31, 2003 and December 31, 2002 and for the three and twelve month periods ended March 31, 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 March 31, 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 three and twelve month periods ended March 31, 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	March 31, 2003	March 31, 2003	D
	As Previously Reported	As Restated	
<hr/>			
Current Assets:			
Temporary Cash Investments - Restricted	\$ 5,396,206	\$ --	\$
Total Current Assets	\$20,871,188	\$15,474,982	\$
<hr/>			
Deferred Charges and Other Assets:			
Restricted Cash	\$ --	\$ 5,396,206	\$
Total Deferred Charges and Other Assets	\$13,159,248	\$18,555,454	\$
<hr/>			
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	Three Months Ended March 31, 2003	Three Months Ended March 31, 2003	Mo Mar
	As Previously Reported	As Restated	
<hr/>			
Cash Flows From Investing Activities:			
Restricted Cash	\$ --	\$ 750,349	\$
<hr/>			

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

Net Cash Used in Investing Activities:	\$ (4,129,181)	\$ (3,378,832)	\$
--	----------------	----------------	----

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2003	M
--	---	---	---

	As Previously Reported	As Restated	
--	------------------------------	----------------	--

Cash Flows From Financing Activities:

Temporary Cash Investments - Restricted	\$ 750,493	\$ --	\$
---	------------	-------	----

Restricted Cash	\$ --	\$ 144	\$
-----------------	-------	--------	----

Net Cash Provided by (Used in) Financing Activities:	\$ 1,099,411	\$ 349,062	\$
--	--------------	------------	----

-9-

	Twelve Months Ended March 31, 2003	Twelve Months Ended March 31, 2003	Mo
--	--	--	----

	As Previously Reported	As Restated	
--	------------------------------	----------------	--

Cash Flows From Investing Activities:

Restricted Cash	\$ --	\$ 2,415,247	\$
-----------------	-------	--------------	----

Net Cash Used in Investing Activities:	\$ (16,967,726)	\$ (14,552,479)	\$
--	-----------------	-----------------	----

	Twelve Months Ended March 31, 2003	Twelve Months Ended March 31, 2003	Mo
--	--	--	----

	As Previously Reported	As Restated	
--	------------------------------	----------------	--

Cash Flows From Financing Activities:

Temporary Cash Investments - Restricted	\$ 2,634,979	\$ --	\$
---	--------------	-------	----

Restricted Cash	\$ --	\$ 219,732	\$
-----------------	-------	------------	----

Net Cash Provided By Financing Activities:	\$ 6,950,074	\$ 4,534,827	\$
--	--------------	--------------	----

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

The condensed consolidated financial statements as of March 31, 2003 and December 31, 2002 and for the three and twelve month periods ended March 31, 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 March 31, 2003 as originally filed on May 12, 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, 31.2, 32 AND 32.1.

Results of Operations - Three Months Ended March 31, 2003

Operating revenues for the three months ended March 31, 2003 were up \$0.8 million or 5.3% from the same period in 2002. Higher base rates in Delaware service territories provided \$0.1 million of the increase along with \$0.2 million increase in consumption and connection fees. Consumption increased by \$0.2 million in our New Jersey systems. Service fees from our operations and maintenance contracts rose \$0.3 million due to an increase in fees under the City of Perth Amboy contract.

Operating expenses increased \$0.9 million or 7.6%. Operations and maintenance (O & M) expenses increased \$0.9 million or 11.6% over the prior period. There were higher sewer costs of \$0.3 million for USA-PA. Costs relating to main breaks resulting from severe winter weather conditions in the first quarter of 2003 contributed to additional O & M expenses of \$0.3 million. Increases in audit fees, legal fees and employee benefits pushed up O & M costs by \$0.2 million. All other costs of operations increased by \$0.1 million.

Income taxes decreased \$0.1 million or 10.4%, reflecting a lower amount of current taxable income.

-10-

Even though there is a higher level of long-term and short-term debt outstanding compared to last year, lower interest rates on short-term debt and the refinancing of \$6.0 million of long-term debt at a lower rate helped to reduce the interest expense by \$0.1 million or 6.7%.

Net income decreased by 4.1% to \$1.2 million and basic and diluted earnings per share decreased to \$0.15 from \$0.16 per share.

Results of Operations - Twelve Months Ended March 31, 2003

Operating revenues for the twelve months ended March 31, 2003 were up \$2.0 million to \$62.7 million amounting to a 3.2% increase. Higher consumption in Delaware of \$1.4 million contributed to additional revenue. Fueling the consumption growth in Delaware was the 10.0% increase in the customer base since March 2002. Rate increases accounted for \$0.5 million and increased consumption account for \$0.9 million. Service fees from our operations and maintenance contracts rose \$0.5 million due to an increase in fees earned under the City of Perth Amboy contract. Lower consumption in our New Jersey service territories

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

led to a \$0.2 million decrease in operating revenues. The \$0.3 million balance of the increase is the result of the acquisition of the Southern Shores water utility.

Operating expenses increased \$1.6 million or 3.2%. Operations and maintenance expenses increased \$1.7 million or 5.4%. There were higher sewer costs of \$0.5 million for USA-PA. Costs relating to main breaks resulting from severe winter weather conditions in the first quarter of 2003 contributed to additional O & M expenses of \$0.3 million. Increased labor and operating costs associated with the increased consumption in the Delaware operations amounted to \$0.5 million. Increases in audit fees and employee benefits pushed up O & M costs by \$0.4 million.

Other taxes increased by \$0.1 million due to higher payroll related taxes. Income taxes decreased \$0.1 million or 1.8%.

Net income increased 5.0% to \$7.7 million. Basic and diluted earnings per share increased by 3.2% to \$0.96 per share.

### Capital Resources

The Company's capital program for 2003 is estimated to be \$30.5 million and includes \$17.9 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 \$2.3 million. The capital program also includes \$7.3 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$0.8 million for mains, \$0.9 million for service lines, \$0.3 million for meters, \$0.3 million for hydrants, \$1.2 million for distribution system improvements, \$0.1 million for computer systems and \$3.7 million for various other items.

### 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

-11-

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 \$3.8 million have been incurred in the three months ended March 31, 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 March 31, 2003, there was \$18.5 million outstanding against the lines of credit.

### 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

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

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 First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$0.5 million of the current portion of six 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 May 14, 2003, the Company has re-evaluated the effectiveness of the design and operation of its disclosure controls and procedures. This 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 the re-evaluation, the Company's Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this 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 and the change in cash restricted for construction projects on the Consolidated Statements of Cash Flows. As a result thereof, management has expanded its periodic review process of asset classification and the appropriate presentation of changes in such assets to enhance the reliability and effectiveness of the financial reporting process.

-12-

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



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

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.

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

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 April 30, 2003

-13-

SIGNATURES

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

-14-

