

MIDDLESEX WATER CO
Form 10-Q
August 01, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended June 30, 2017

OR

..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission File Number 0-422

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

New Jersey **22-1114430**

(State of incorporation) (IRS employer identification no.)

1500 Ronson Road, Iselin, New Jersey 08830

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(Address of principal executive offices, including 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 Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The number of shares outstanding of each of the registrant's classes of common stock, as of July 31, 2017: Common Stock, No Par Value: 16,337,784 shares outstanding.

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MIDDLESEX WATER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Revenues	\$ 33,014	\$ 32,725	\$ 63,145	\$ 63,304
Operating Expenses:				
Operations and Maintenance	16,651	15,789	32,385	31,617
Depreciation	3,385	3,180	6,693	6,317
Other Taxes	3,415	3,428	6,724	6,740
Total Operating Expenses	23,451	22,397	45,802	44,674
Operating Income	9,563	10,328	17,343	18,630
Other Income (Expense):				
Allowance for Funds Used During Construction	180	119	299	180
Other Income	47	25	53	73
Other Expense	(22)	(7)	(27)	(26)
Total Other Income, net	205	137	325	227
Interest Charges	1,469	1,436	2,472	2,413
Income before Income Taxes	8,299	9,029	15,196	16,444
Income Taxes	2,918	3,110	5,374	5,735
Net Income	5,381	5,919	9,822	10,709
Preferred Stock Dividend Requirements	36	36	72	72
Earnings Applicable to Common Stock	\$ 5,345	\$ 5,883	\$ 9,750	\$ 10,637
Earnings per share of Common Stock:				
Basic	\$ 0.33	\$ 0.36	\$ 0.60	\$ 0.65
Diluted	\$ 0.33	\$ 0.36	\$ 0.59	\$ 0.65

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Average Number of
Common Shares Outstanding :

Basic	16,332	16,271	16,316	16,252
Diluted	16,488	16,427	16,472	16,408
Cash Dividends Paid per Common Share	\$ 0.2113	\$ 0.1988	\$ 0.4225	\$ 0.3975

See Notes to Condensed Consolidated Financial Statements.

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MIDDLESEX WATER COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)

		June 30, 2017	December 31, 2016
ASSETS			
UTILITY PLANT:	Water Production	\$149,068	\$146,914
	Transmission and Distribution	443,128	430,880
	General	67,692	63,514
	Construction Work in Progress	13,828	12,196
	TOTAL	673,716	653,504
	Less Accumulated Depreciation	140,435	135,728
	UTILITY PLANT - NET	533,281	517,776
CURRENT ASSETS:			
	Cash and Cash Equivalents	3,689	3,879
	Accounts Receivable, net	9,953	10,129
	Unbilled Revenues	8,284	6,590
	Materials and Supplies (at average cost)	4,881	4,094
	Prepayments	2,912	2,024
	TOTAL CURRENT ASSETS	29,719	26,716
AND OTHER ASSETS:			
	Preliminary Survey and Investigation Charges	3,142	2,365
	Regulatory Assets	60,474	60,894
	Operations Contracts, Developer and Other Receivables	789	1,139
	Restricted Cash	439	439
	Non-utility Assets - Net	9,252	9,131
	Federal Income Tax Receivable	1,408	1,408
	Other	226	293
	TOTAL DEFERRED CHARGES AND OTHER ASSETS	75,730	75,669
	TOTAL ASSETS	\$638,730	\$620,161
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:			
	Common Stock, No Par Value	\$154,075	\$153,045
	Retained Earnings	68,249	65,392
	TOTAL COMMON EQUITY	222,324	218,437
	Preferred Stock	2,435	2,436
	Long-term Debt	136,429	134,538
	TOTAL CAPITALIZATION	361,188	355,411
CURRENT	Current Portion of Long-term Debt	6,164	6,159

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LIABILITIES:	Notes Payable	17,000	12,000
	Accounts Payable	15,045	12,343
	Accrued Taxes	13,137	12,385
	Accrued Interest	1,078	1,084
	Unearned Revenues and Advanced Service Fees	967	923
	Other	2,026	2,162
	TOTAL CURRENT LIABILITIES	55,417	47,056
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)			
DEFERRED CREDITS	Customer Advances for Construction	20,862	20,846
AND OTHER LIABILITIES:	Accumulated Deferred Investment Tax Credits	714	753
	Accumulated Deferred Income Taxes	76,312	72,072
	Employee Benefit Plans	34,651	36,139
	Regulatory Liability - Cost of Utility Plant Removal	11,711	11,337
	Other	1,378	1,443
	TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	145,628	142,590
CONTRIBUTIONS IN AID OF CONSTRUCTION		76,497	75,104
	TOTAL CAPITALIZATION AND LIABILITIES	\$638,730	\$620,161

See Notes to Condensed Consolidated Financial Statements.

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MIDDLESEX WATER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$9,822	\$10,709
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	6,887	6,800
Provision for Deferred Income Taxes and Investment Tax Credits	4,395	3,321
Equity Portion of Allowance for Funds Used During Construction (AFUDC)	(205)	(118)
Cash Surrender Value of Life Insurance	(114)	(44)
Stock Compensation Expense	437	468
Changes in Assets and Liabilities:		
Accounts Receivable	176	(848)
Unbilled Revenues	(1,694)	(1,908)
Materials and Supplies	(787)	(2,132)
Prepayments	(888)	(1,207)
Accounts Payable	2,702	3,064
Accrued Taxes	752	313
Accrued Interest	(6)	(13)
Employee Benefit Plans	(640)	(580)
Unearned Revenue & Advanced Service Fees	44	19
Other Assets and Liabilities	(710)	(1,099)
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,171	16,745
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures, Including AFUDC of \$94 in 2017, \$62 in 2016	(21,165)	(20,111)
NET CASH USED IN INVESTING ACTIVITIES	(21,165)	(20,111)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	(2,115)	(2,136)
Proceeds from Issuance of Long-term Debt	4,047	861
Net Short-term Bank Borrowings	5,000	7,500
Deferred Debt Issuance Expense	(33)	(15)
Proceeds from Issuance of Common Stock	592	830
Payment of Common Dividends	(6,893)	(6,454)
Payment of Preferred Dividends	(72)	(72)

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Construction Advances and Contributions-Net	278	612
NET CASH PROVIDED BY FINANCING ACTIVITIES	804	1,126
NET CHANGES IN CASH AND CASH EQUIVALENTS	(190)	(2,240)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,879	3,469
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$3,689	\$1,229

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:

Utility Plant received as Construction Advances and Contributions	\$1,131	\$1,395
Long-term Debt Deobligation	\$—	\$534

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash Paid During the Year for:		
Interest	\$2,594	\$2,538
Interest Capitalized	\$94	\$62
Income Taxes	\$714	\$3,131

See Notes to Condensed Consolidated Financial Statements.

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MIDDLESEX WATER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CAPITAL STOCK

AND LONG-TERM DEBT

(Unaudited)

(In thousands)

	June 30, 2017	December 31, 2016
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares Outstanding - 2017 - 16,336; 2016 - 16,296	\$154,075	\$ 153,045
Retained Earnings	68,249	65,392
TOTAL COMMON EQUITY	\$222,324	\$ 218,437
Cumulative Preferred Stock, No Par Value:		
Shares Authorized - 126		
Shares Outstanding - 24		
Convertible:		
Shares Outstanding, \$7.00 Series - 10	\$1,007	\$ 1,007
Shares Outstanding, \$8.00 Series - 3	349	349
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1	79	80
Shares Outstanding, \$4.75 Series - 10	1,000	1,000
TOTAL PREFERRED STOCK	\$2,435	\$ 2,436
Long-term Debt:		
8.05%, Amortizing Secured Note, due December 20, 2021	\$1,300	\$ 1,415
6.25%, Amortizing Secured Note, due May 19, 2028	4,585	4,795
6.44%, Amortizing Secured Note, due August 25, 2030	3,687	3,827
6.46%, Amortizing Secured Note, due September 19, 2031	3,967	4,107
4.22%, State Revolving Trust Note, due December 31, 2022	304	329
3.60%, State Revolving Trust Note, due May 1, 2025	1,958	2,062
3.30% State Revolving Trust Note, due March 1, 2026	411	431
3.49%, State Revolving Trust Note, due January 25, 2027	446	465
4.03%, State Revolving Trust Note, due December 1, 2026	578	603
4.00% to 5.00%, State Revolving Trust Bond, due August 1, 2021	213	213
0.00%, State Revolving Fund Bond, due August 1, 2021	162	166
3.64%, State Revolving Trust Note, due July 1, 2028	266	276
3.64%, State Revolving Trust Note, due January 1, 2028	87	91
3.45%, State Revolving Trust Note, due August 1, 2031	989	1,015
6.59%, Amortizing Secured Note, due April 20, 2029	4,127	4,302
7.05%, Amortizing Secured Note, due January 20, 2030	3,146	3,271

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5.69%, Amortizing Secured Note, due January 20, 2030	6,453	6,709
4.45%, Amortizing Secured Note, due April 20, 2040	10,047	10,267
4.47%, Amortizing Secured Note, due April 20, 2040	3,728	3,809
3.75%, State Revolving Trust Note, due July 1, 2031	2,133	2,191
2.00%, State Revolving Trust Note, due February 1, 2036	1,115	1,115
3.75%, State Revolving Trust Note, due November 30, 2030	1,123	1,154
0.00% Construction Loans	11,517	7,470
First Mortgage Bonds:		
0.00%, Series X, due August 1, 2018	105	107
4.25% to 4.63%, Series Y, due August 1, 2018	123	122
0.00%, Series Z, due August 1, 2019	329	336
5.25% to 5.75%, Series AA, due August 1, 2019	440	440
0.00%, Series BB, due August 1, 2021	590	603
4.00% to 5.00%, Series CC, due August 1, 2021	779	779
0.00%, Series EE, due August 1, 2023	2,641	2,713
3.00% to 5.50%, Series FF, due August 1, 2024	3,690	3,690
0.00%, Series GG, due August 1, 2026	887	903
4.00% to 5.00%, Series HH, due August 1, 2026	960	960
0.00%, Series II, due August 1, 2024	683	700
3.40% to 5.00%, Series JJ, due August 1, 2027	824	824
0.00%, Series KK, due August 1, 2028	1,058	1,078
5.00% to 5.50%, Series LL, due August 1, 2028	1,175	1,175
0.00%, Series MM, due August 1, 2030	1,304	1,337
3.00% to 4.375%, Series NN, due August 1, 2030	1,590	1,590
0.00%, Series OO, due August 1, 2031	2,207	2,258
2.00% to 5.00%, Series PP, due August 1, 2031	780	780
5.00%, Series QQ, due October 1, 2023	9,915	9,915
3.80%, Series RR, due October 1, 2038	22,500	22,500
4.25%, Series SS, due October 1, 2047	23,000	23,000
0.00%, Series TT, due August 1, 2032	2,358	2,408
3.00% to 3.25%, Series UU, due August 1, 2032	890	890
0.00%, Series VV, due August 1, 2033	2,386	2,433
3.00% to 5.00%, Series WW, due August 1, 2033	865	865
SUBTOTAL LONG-TERM DEBT	144,421	142,489
Add: Premium on Issuance of Long-term Debt	1,388	1,495
Less: Unamortized Debt Expense	(3,216)	(3,287)
Less: Current Portion of Long-term Debt	(6,164)	(6,159)
TOTAL LONG-TERM DEBT	\$136,429	\$ 134,538

See Notes to Condensed Consolidated Financial Statements.

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MIDDLESEX WATER COMPANY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation and Recent Developments

Middlesex Water Company (Middlesex or the Company) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater), Tidewater Environmental Services, Inc. (TESI), Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands), Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy) Inc. (USA-PA), and Twin Lakes Utilities, Inc. (Twin Lakes). Southern Shores Water Company, LLC (Southern Shores) and White Marsh Environmental Systems, Inc. (White Marsh) 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 2016 Annual Report on Form 10-K (the 2016 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 necessary (including normal recurring accruals) to present fairly the financial position as of June 30, 2017, the results of operations for the three and six month periods ended June 30, 2017 and 2016 and cash flows for the six month periods ended June 30, 2017 and 2016. Information included in the Condensed Consolidated Balance Sheet as of December 31, 2016, has been derived from the Company's audited financial statements for the year ended December 31, 2016 included in the 2016 Form 10-K.

Recent Accounting Guidance

Inventory - In July 2015, the Financial Accounting Standards Board (FASB) issued guidance on simplifying the measurement of inventory. The new guidance replaces the current lower of cost or market test with a lower of cost or net realizable value test when cost is determined on a first-in, first-out or average cost basis. The guidance was effective January 1, 2017 and did not have a material impact on the Company's financial statements.

Accounting for Share-Based Payments - In March 2016, the FASB issued guidance which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance was effective January 1, 2017 and did not have a material impact on the Company's financial statements.

Revenue Recognition - In May 2014, the FASB issued guidance related to revenue from contracts with customers. The update replaces most of the existing guidance with a single set of principles for recognizing revenue from contracts with customers. The FASB has deferred the effective date of these new revenue recognition standards by one year to January 1, 2018. The Company is currently analyzing the impact this standard will have on our financial statements and has begun creating an inventory of its contracts with customers, which consist primarily of regulated municipal water sale contracts and non-regulated operation and maintenance contracts for water and wastewater systems. Based on the Company's initial interpretation of the guidance, this update is not expected to have an impact on the Company's regulated municipal water sale contracts. The impact on the Company's non-regulated operation and maintenance contracts, if any, is not expected to be material. The Company's non-regulated segment contributed approximately 12% and 7% of total revenues and net income, respectively, for the six months ended June 30, 2017 and approximately 11% and 2% of total revenues and net income, respectively, for the year ended December 31, 2016. These assessments are preliminary and subject to change pending the Company's completion of its review of the guidance and its impact on the Company's contracts with customers.

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Recognition and Measurement of Financial Assets and Financial Liabilities - In January 2016, the FASB issued guidance which (i) requires all investments in equity securities, including other ownership interests such as partnerships, unincorporated joint ventures and limited liability companies, to be carried at fair value through net income, (ii) requires an incremental recognition and disclosure requirement related to the presentation of fair value changes of financial liabilities for which the fair value option has been elected, (iii) amends several disclosure requirements, including the methods and significant assumptions used to estimate fair value or a description of the changes in the methods and assumptions used to estimate fair value, and (iv) requires disclosure of the fair value of financial assets and liabilities measured at amortized cost at the amount that would be received to sell the asset or paid to transfer the liability. The guidance is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The guidance is required to be applied retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of adoption (modified retrospective method). The Company is currently assessing the impact of this standard on its consolidated financial statements and footnote disclosures, but does not expect that the adoption of this guidance to have a material impact on the Company's financial statements.

Leases - In February 2016, the FASB issued guidance related to leases which will require lessees to recognize a lease liability (a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis) a right-of-use asset (an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term). The guidance is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements and footnote disclosures, but does not expect that the adoption of this guidance to have a material impact on the Company's financial statements.

Statement of Cash Flows - In August 2016, the FASB issued guidance which amends the previous guidance on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of this guidance is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The guidance is effective January 1, 2018 with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

Restricted Cash - In November 2016, the FASB issued guidance related to the classification and presentation of restricted cash in the statement of cash flows, which requires entities to a) include restricted cash balances in its cash and cash-equivalent balances in the statement of cash flows and b) include a reconciliation of cash and cash-equivalents per the statement of financial position as compared to the statement of cash flows. Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents will not be presented as cash flow activities in the statement of cash flows. In addition, an entity with a material balance of amounts described as restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. The guidance is effective January 1, 2018 with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

Employee Benefit Plans-Net Periodic Benefit Cost – In March 2017, the FASB issued guidance which requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, the ASU requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. The guidance is effective January 1, 2018. The Company is currently assessing the impact of this standard on its consolidated financial statements and footnote disclosures, but does not expect that the adoption of this guidance to have a material impact on the Company's financial statements.

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There are no other new adopted or proposed accounting guidance that the Company is aware of that could have a material impact on the Company's financial statements.

Note 2 – Rate and Regulatory Matters

Middlesex-In May 2017, Middlesex filed a petition with the New Jersey Board of Public Utilities (the NJBPU) seeking approval to reset its purchased water adjustment clause (PWAC) tariff rate. A PWAC is an optional rate mechanism that allows for the recovery of increased purchased water costs in between base rate case filings with the PWAC reset to zero once those increased costs are included in base rates. A PWAC is subject to an annual true-up. The current PWAC rate became effective November 1, 2016. The current filing includes the true-up and a request to recover additional annual costs of \$1.2 million for the purchase of untreated water from the New Jersey Water Supply Authority (NJWSA). The NJWSA increased the rate it charges its subscribers on July 1, 2017. The Company expects that the NJBPU will approve the PWAC rate reset by October 2017 with an effective date of November 1, 2017.

Tidewater - Effective July 1, 2017, Tidewater reset its Delaware Public Service Commission-approved Distribution System Improvement Charge (DSIC) rate, which is expected to generate \$0.4 million of annual revenues. A DSIC is a rate-mechanism that allows water utilities to recover investments in, and generate a return on, qualifying capital improvements to their water distribution system made between base rate proceedings.

Note 3 – Capitalization

Common Stock

During the six months ended June 30, 2017 and 2016, there were 15,954 common shares (approximately \$0.6 million) and 26,434 common shares (approximately \$0.8 million), respectively, issued under the Middlesex Water Company Investment Plan.

Long-term Debt

In January 2017, the NJBPU approved Middlesex's request to borrow up to \$37.0 million under the New Jersey State Revolving Fund (SRF) program to fund the construction of a large-diameter transmission pipeline from the Carl J. Olsen water treatment plant and interconnect with our distribution system. Middlesex currently expects to close on the SRF construction loan in the first quarter of 2018 with funding requisitions occurring primarily throughout 2018 and 2019.

In January 2017, the NJBPU approved Middlesex's request to borrow up to \$10.0 million under the New Jersey SRF program to fund the 2017 RENEW Program, which is an ongoing initiative to eliminate all unlined water distribution mains in the Middlesex system. Middlesex expects to close on the SRF construction loan in August 2017 with funding requisitions occurring primarily throughout the remainder of 2017.

Middlesex closed on a \$2.3 million NJBPU approved SRF construction loan in May 2017. The proceeds will be used to fund the upgrade of a booster station at one of its well fields. Funding requisitions are expected to occur through May 2018.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments for which it is practicable to estimate that value. The carrying amounts reflected in the condensed consolidated balance sheets for cash and cash equivalents, trade receivables, accounts payable and notes payable approximate their respective fair values due to the short-term maturities of these instruments. The fair value of First Mortgage and SRF Bonds (collectively, the Bonds) issued by Middlesex is based on quoted market prices for similar issues. Under the fair value hierarchy, the fair value of cash and cash equivalents is

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classified as a Level 1 measurement and the fair value of notes payable and the Bonds in the table below are classified as Level 2 measurements. The carrying amount and fair value of the Bonds were as follows:

	June 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bonds	\$ 82,454	\$ 84,552	\$82,786	\$84,821

For other long-term debt for which there was no quoted market price and there is not an active trading market, it was not practicable to estimate their fair value (for details, including carrying value, interest rate and due date on these series of long-term debt, please refer to those series noted as “Amortizing Secured Note”, “State Revolving Trust Note” and “Construction Loans” on the Condensed Consolidated Statements of Capital Stock and Long-Term Debt). The carrying amount of these instruments was \$62.0 million and \$59.7 million at June 30, 2017 and December 31, 2016, respectively. Customer advances for construction have carrying amounts of \$20.9 million and \$20.8 million at June 30, 2017 and December 31, 2016, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

Note 4 – Earnings Per Share

Basic earnings per share (EPS) are computed on the basis of the weighted average number of shares outstanding during the period presented. 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 per Share Amounts)			
	Three Months Ended June 30, 2017		2016	
	Income	Shares	Income	Shares
Basic:				
Net Income	\$5,381	16,332	\$5,919	16,271
Preferred Dividend	(36)		(36)	
Earnings Applicable to Common Stock	\$5,345	16,332	\$5,883	16,271
Basic EPS	\$0.33		\$0.36	

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Diluted:

Earnings Applicable to Common Stock	\$5,345	16,332	\$5,883	16,271
\$7.00 Series Preferred Dividend	17	115	17	115
\$8.00 Series Preferred Dividend	6	41	6	41
Adjusted Earnings Applicable to Common Stock	\$5,368	16,488	\$5,906	16,427
Diluted EPS	\$0.33		\$0.36	

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	(In Thousands Except per Share Amounts)			
	Six Months Ended June 30,			
	2017		2016	
	Income	Shares	Income	Shares
Basic:				
Net Income	\$9,822	16,316	\$10,709	16,252
Preferred Dividend	(72)		(72)	
Earnings Applicable to Common Stock	\$9,750	16,316	\$10,637	16,252
Basic EPS	\$0.60		\$0.65	
Diluted:				
Earnings Applicable to Common Stock	\$9,750	16,316	\$10,637	16,252
\$7.00 Series Preferred Dividend	34	11		