



Shareholder Services

Inquiries about stock transfer, dividends, dividend reinvestment, missing or lost certificates, change of address notification and other account information should be directed to:

Investor Relations Department, Middlesex Water Company
P.O. Box 1500, Iselin, NJ 08830

Dividend Reinvestment and Stock Purchase Plan

The Company has a Dividend Reinvestment and Stock Purchase Plan through which its shareholders can automatically reinvest all or part of their dividends and/or make direct cash payments to acquire Middlesex Water Company Common Stock.

Direct Deposit of Dividends

Middlesex Water offers direct deposit of dividends whereby dividend payments may be deposited into shareholders' checking, savings or money market accounts. For information call 1-800-368-5948.

Transfer Agent

The Transfer Agent for the Common and Preferred Stocks is:
Registrar and Transfer Company, 10 Commerce Drive,
Cranford, NJ 07016, 800-368-5948

View Your Account Online!

Shareholders can now view their stockholder account information directly via the Internet. Registrar and Transfer Company (R&T) will issue and mail a password directly to you at your address of record. You may also apply for a password by visiting the R&T website, www.rtc.com. Please note, you will need your account number to request Internet access. This number can be found on your distribution check or dividend reinvestment statement. The R&T web site also has other loadable forms and the ability to submit address changes and request the replacement of outstanding checks.

1500 Ronson Road, Iselin, NJ 08830-3020

732-634-1500 • Fax 732-638-7515

NASDAQ Stock Market Symbol: MSEX

www.middlesexwater.com

About Middlesex Water Company

Middlesex Water Company was incorporated as a water utility company in 1897. The Company collects, treats, distributes and sells water for domestic, commercial, municipal, industrial and fire protection purposes.

Our New Jersey Companies

The Middlesex System provides water services to approximately 58,500 retail customers, within a 55-square mile area encompassing Woodbridge Township, the City of South Amboy, the Boroughs of Metuchen and Carteret, portions of Edison Township and the Borough of South Plainfield. The Company also provides water under contract to the Township of Edison, the Boroughs of Highland Park and Sayreville, and both the Old Bridge and Marlboro Township Utilities Authorities. The Middlesex System also provides treatment and pumping services to the Township of East Brunswick under contract. The contract customers of the Middlesex System comprise an area of approximately 141 square miles with a population of about 267,000.

Utility Service Affiliates (Perth Amboy) Inc., operates the City of Perth Amboy's water and wastewater systems and serves approximately 9,300 customers.

The Pinelands Water and Wastewater Companies

serve approximately 2,300 residential customers in Burlington County, New Jersey.

Utility Service Affiliates, Inc. provides contract operations services and water service line maintenance through its LineCaresm Program.

Middlesex Water Company-Bayview System

provides water service to 300 customers in Cumberland County, New Jersey.

Our Delaware Companies

Tidewater Utilities, Inc., (TUI), the Company's Delaware subsidiary, provides water service to about 27,000 retail customers in about 250 separate community water systems in New Castle, Kent and Sussex Counties.

Southern Shores Water Company, a subsidiary of TUI, provides water service to 2,200 customers in Sussex County, Delaware.

White Marsh Environmental Systems, Inc.

operates water and wastewater systems in Delaware, under contract, and serves about 4,000 customers.

Tidewater Environmental Services, Inc. began providing wastewater services in Delaware in 2005.



1500 Ronson Road, Iselin, New Jersey 08830-3020

A Note from the President

To Our Shareholders,

Third Quarter Results

Middlesex Water Company produced positive financial results for the third quarter of 2006. Earnings applicable to common stock rose to \$3.3 million for the quarter ended September 30, 2006, up from \$3.0 million from the same period in 2005. Basic and diluted earnings per common share rose to \$0.29 and \$0.28 per share, respectively, from \$0.26 for both for that period in 2005.

Consolidated operating revenues for the quarter ended September 30, 2006 were \$22.6 million, up \$1.8 million from \$20.8 million for the same period in 2005. Water sales revenues increased by \$0.6 million in the regulated New Jersey utilities, of which \$1.3 million was the result of a base rate increase that was granted to Middlesex in December 2005. Significant rainfall at the beginning and end of the quarter resulted in a decrease in outdoor water use and, therefore, a decrease in consumption revenues of \$0.7 million when compared to the same period in 2005. Revenues rose in the Delaware service territory by \$1.1 million. Higher water consumption by existing customers contributed \$0.4 million of the increase, customer growth accounted for \$0.2 million and the implementation of a 15% interim base rate increase on June 28, 2006, as part of an ongoing rate proceeding, contributed an additional \$0.5 million. New unregulated wastewater operating contracts in Delaware provided \$0.1 million.

Operations and maintenance expenses for the quarter increased to \$11.4 million, up from \$10.8 million. The continued growth of the Delaware systems resulted in \$0.4 million of increases for the cost of water and wastewater treatment, business insurance, additional employees and related benefits costs.

Nine-Month Results

For the nine-month period ended September 30, 2006, earnings applicable to common stock were \$8.0 million, compared to \$6.2 million in the prior year. Basic and diluted earnings per common share increased to \$0.69 and \$0.68 respectively, up from \$0.54 for both for the same period in 2005. Operating revenues increased \$5.9 million, or 10.5% from the same period in 2005. Base rate increases in New Jersey and Delaware contributed \$3.9 million of the higher revenues. Water consumption and related fees from customer growth, primarily in Delaware contributed \$0.8 million of the increase, while water sales to our existing customers increased by \$0.4 million. New unregulated wastewater operating contracts in Delaware provided \$0.4 million of additional revenues. All other sources contributed \$0.4 million.

Operation and maintenance expenses increased \$1.4 million, or 4.4%. Water production and treatment costs for our Middlesex system increased \$0.2 million, which was offset by \$0.2 million of reduced maintenance costs. The continuing growth of our Delaware systems resulted in higher costs of water treatment,

additional employees and related benefits costs of \$0.4 million. Costs related to providing services by our non-regulated wastewater operation in Delaware increased \$0.2 million.

Subcontractor fees and labor increased by \$0.2 million in our non-regulated contract operations business in New Jersey. Business insurances increased \$0.2 million. All other operations costs increased by \$0.4 million.

“We continue to remain focused on obtaining timely and adequate rate relief for the substantial capital investments we continue to make in water infrastructure, primarily in our Delaware service territory. In addition, we continue to demonstrate our capabilities in the wastewater business to prospective customers and we are actively pursuing profitable growth in this business,” said Dennis W. Doll, Middlesex President & CEO.

Board Declares Dividend

The Board of Directors approved an increase in the quarterly dividend from \$0.17 to \$0.1725 per common share, payable December 1, 2006, to shareholders of record as of November 15, 2006.

Rate Proceedings

Tidewater Utilities, Inc. filed a request with the Delaware Public Service Commission (PSC) for a 38.6% increase in water rates in April 2006. This request, an overall increase of \$5.5 million over current revenues, is intended to cover costs of increased capital investment as well as increased operations and maintenance expenses such as electric power, water treatment, labor and benefits costs. We expect to bring this proceeding to conclusion in early 2007.

Other Matters

On November 13, 2006, Middlesex Water Company completed an underwritten public offering of 1,495,000 shares of its Common Stock, including 195,000 shares issued upon exercise of an option granted to the underwriters to cover over-allotments at a price per share of \$18.46 to the public. The gross proceeds of the offering were \$27.6 million. The completion of this public offering represents an important part of our plan to raise additional funds, largely to help finance our ongoing and continuously growing capital program in New Jersey and Delaware.

The Company plans to use the net proceeds after payment of underwriting discounts and estimated offering expenses to repay in full all of its outstanding short-term borrowings and to partially finance its ongoing construction program. We welcome our new shareholders and we thank our existing shareholders for your continued support and confidence in Middlesex Water Company.



Dennis W. Doll
President and Chief Executive Officer
November 13, 2006

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Operating Revenues	\$22,631,975	\$20,832,448	\$61,899,176	\$56,006,102
Operating Expenses:				
Operations	10,446,019	10,065,706	30,104,046	28,516,810
Maintenance	907,554	765,422	2,440,786	2,643,226
Depreciation	1,882,544	1,635,403	5,263,677	4,803,610
Other Taxes	2,537,462	2,352,781	7,109,987	6,599,435
Total Operating Expenses	15,773,579	14,819,312	44,918,496	42,563,081
Operating Income	6,858,396	6,013,136	16,980,680	13,443,021
Other Income:				
Allowance for Funds Used During Construction	170,148	109,009	398,173	459,915
Other Income	41,393	63,368	140,171	154,530
Other Expense	(6,372)	(1,879)	(20,630)	(26,348)
Total Other Income, net	205,169	170,498	517,714	588,097
Interest Charges	1,889,572	1,624,145	5,212,687	4,584,315
Income before Income Taxes	5,173,993	4,559,489	12,285,707	9,446,803
Income Taxes	1,796,998	1,535,061	4,128,512	3,096,545
Net Income	3,376,995	3,024,428	8,157,195	6,350,258
Preferred Stock Dividend Requirements	61,947	61,947	185,840	189,340
Earnings Applicable to Common Stock	\$ 3,315,048	\$ 2,962,481	\$ 7,971,355	\$ 6,160,918
Earnings per share of Common Stock:				
Basic	\$ 0.29	\$ 0.26	\$ 0.69	\$ 0.54
Diluted	\$ 0.28	\$ 0.26	\$ 0.68	\$ 0.54
Average Number of Common Shares Outstanding :				
Basic	11,629,681	11,466,024	11,611,427	11,409,182
Diluted	11,960,821	11,805,164	11,942,567	11,750,989
Cash Dividends Paid per Common Share	\$ 0.1700	\$ 0.1675	\$ 0.5100	\$ 0.5025

See Notes to Condensed Consolidated Financial Statements.