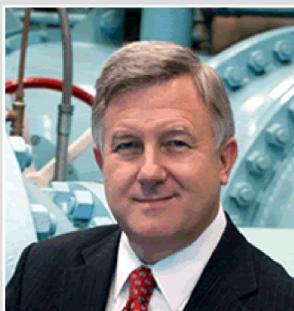


THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Middlesex Water Company (MSEX)



DENNIS W. DOLL, CPA, serves as Chairman, President and CEO of Middlesex Water Company (MSEX), a publicly traded, investor-owned water and wastewater utility company, primarily serving in New Jersey and Delaware. The company also provides contract utility services to governmental and industrial clients. Prior to joining Middlesex, Mr. Doll served as Vice President and Controller of E'town Corporation, a publicly traded company engaged in regulated and nonregulated water utility operations. Mr. Doll has a diverse management background related to water and wastewater utilities, contract operations and capital management. He received a bachelor's degree in accounting and economics from Upsala College and is a certified public accountant. Mr. Doll is Treasurer and a member of the board of trustees of the Water Research Foundation, the research arm of the drinking water industry with more than 1,000 subscribers across the United States, Canada, Europe and Australia, and also serves on the foundation's executive committee. He is a director and past Chairman

of the board of the New Jersey Utilities Association, representing the state's electric, gas, water and telecommunications industries. Mr. Doll also serves as a director of the National Association of Water Companies, currently serving as the association's President and Chair of its board. He is a member of the Advisory Committee of the New Jersey Climate Adaptation Alliance and also serves on the board of directors of Raritan Bay Medical Center in New Jersey, further serving as Treasurer and a member of the executive Committee of this nonprofit institution.

SECTOR — UTILITIES

TWST: How would you characterize the current regulatory environment for your business, and are there any issues that you're monitoring at this time?

Mr. Doll: Great question, and thanks for the opportunity to share some thoughts about Middlesex Water. When we talk about the regulatory environment, there are two levels we monitor: one is federal and one is state. At the federal level, it's all about the U.S. Environmental Protection Agency monitoring and continued analysis of the potential for increased water quality standards. We are always working to stay abreast of proposed water quality standards. So there is ongoing research that's occurring, there is cost/benefit analysis that's occurring. So we continue to monitor those activities to understand what the potential impact could be on our company and whatever investments we may need to make to address those changes.

At the state level, in the states where we have regulated utilities — New Jersey, Delaware and Pennsylvania — we also have environmental regulation that we monitor closely, although not a lot of changes are anticipated in those states. Then there is the rate-regulation aspect, which means working with the local public utility commissions to get adequate return of and return on our investments in utility infrastructure.

That environment too, we believe, is relatively stable, and — actually, in some respects — has improved with the addition of the DSIC, or Distribution System Improvement Charge, a mechanism that is now available to us in New Jersey, and we have utilized. We continue to put in what's called a DSIC foundational filing to request periodic rate increases between base rate cases. We already have had that mechanism in place in Delaware for a number of years, and that's working quite well. Pennsylvania has one as well. I think the short answer to your question is the overall regulatory environment as it relates to our company is relatively stable.

TWST: In your last earnings release, you said that in addition to your traditional water utilities you're also focused on expanding your suite of complementary capabilities. Can you talk about where you are focusing your efforts there, and what successes you have had?

Mr. Doll: We key in on the word "complementary" because we want to ensure that our shareholders are clear about the company's strategy in expanding its services. It's important to us that they are knowledgeable and understand what it is that we are doing, and to understand the opportunities and risks associated with any activity that is not part of our traditional regulated water and wastewater business. One extension of that continues to be public/private partnerships and privatizations of municipal or other government-owned systems.

For example, we're in the process of acquiring the water assets of Dover Air Force Base in Dover, Delaware. So privatization of military bases is one of those areas where we are now becoming a player. We've got our first base privatization, and we have proposals in for others. Beyond that, we also continue to reference in our public documents our efforts in renewable energy projects through strategic partnerships. This too is a logical extension of activities at wastewater treatment plants, where we're taking the effluent from the wastewater treatment plant, putting it into a process called anaerobic digestion and generating electricity from the methane gas that's produced in the wastewater treatment process.

One project we currently are involved in is powering the electricity needs of a wastewater treatment plant, and to the extent that we produce electricity above and beyond what's required to power the plant, that gets sold back to the electric grid. Then there are other initiatives that we're evaluating that include renewable energy — again through anaerobic digestion, but which introduces a relatively new element such as food waste.

There is a lot of press out there about legislation that's been passed in a number of states including Massachusetts, New Hampshire, and actually, New York City passed similar legislation recently, where commercial entities who produce more than one ton per week of food waste — like restaurants or food processing facilities — that those food wastes can no longer be applied to a landfill. So that means that

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these entities have to find a place to take that material. Well, wastewater treatment plants that are using anaerobic digestion are perfect candidates to receive that material because food waste — in addition to other waste, such as fats, oils and grease — are phenomenal accelerants of the anaerobic digestion process, and they provide the ability to generate significantly more gas to produce significantly more electricity.

So we're focusing on public/private partnerships, renewable energy, and then the third area is industrial applications. We have a live project contract with Sunoco, for example, that we've had now for several years where we are doing industrial pre-treatment. This is not wastewater in the sense of a wastewater treatment plant that processes domestic sewerage, but rather industrial waste that we are treating at their facility.

Then we have a public/private partnership we've entered into last year with Monmouth County, New Jersey, where along with our technical partner, we're designing, building and will be operating a pre-treatment facility that addresses the leachate, which is the water that runs off this very large landfill. So landfills capture a lot of moisture from rain, for example, and that moisture picks up things like heavy metals and other elements that are in the landfill, and it can be treated rather than discharging it into the sanitary or to the storm water systems. Those are just a couple of examples of ways we are building on our capabilities that really are complementary to our traditional water and wastewater business.

TWST: What plans do you have at this point to upgrade and replace your infrastructure both in the short and long term, and what level of capital investment will those plans require?

Mr. Doll: In our public documents, you will see that we anticipate spending anywhere between \$20 million and \$30 million a year making capital investments. A portion of that goes toward upgrading and replacing existing infrastructure. We've had a RENEW Program in operation for probably close to 15 years or more at this point, where every year we are routinely and strategically rehabilitating — through main cleaning and lining — several miles of pipe within our distribution system in New Jersey. So we do this rehabilitation year in and year out.

Even though there are still some large infrastructure needs for our company into the future, we've been very proactive in our asset management program and in maintaining those water mains along the way. And as you might imagine, it's all about risk management. We look at the areas that we believe are most likely to fail, even though that failure may not be viewed as imminent, but from a risk perspective these are areas that we would rather mitigate or reduce the risk. The RENEW Program addresses things like that.

Then we also have some longer-term projects that are being planned to generate additional treatment capacity and additional source of supply that we believe will be needed for the next generation. So there's that sustainability component that's an important part of our approach.

TWST: Can you comment then on the strength of your balance sheet, and are there any areas that you are working to improve?

Mr. Doll: Sure. Our balance sheet is very healthy. We have solid debt ratings and a good debt/equity ratio at roughly 50:50, which is what rates are typically set at by the public utility commissions. We've got good ratios in terms of interest coverage, current ratio and our efficiency ratio with respect to O&M on the income statement. Our balance sheet is reasonably solid, and we have ready access to both the debt and the equity markets to raise the capital as needed for our long-term programs.

TWST: What is a management decision that you and your team have made over the last year or so that you believe has put the company in a better position than it may have otherwise been?

Mr. Doll: We took some pretty bold actions almost a year ago when we significantly reduced the annual cost of post-retirement medical benefits. We've had a post-retirement medical benefit plan in place for many, many years, and we made some fundamental changes that basically limit or extend the time frame for an employee to qualify for post-retirement medical benefits and also require increased contributions by the recipient. New employees hired after March of 2007 are not eligible to participate in that program at all. So this is really addressing the cost for those who are current participants.

And then we also looked at a number of different areas, such as more professional development for our supervisory teams, where we're giving our employees the training to improve efficiency, and build their management and technical skills. Also, with the weather events we've experienced in the past, we've methodically been addressing action items in our post-storm reviews to enhance our operations, communications, preparation and response to such events. All of those things are producing benefits with respect to operations. So those are a couple of things that we're doing. We have many initiatives underway in a variety of ways to continue to improve efficiency and quality, but those are just a couple of the highlights.

TWST: What are some questions that you hear most commonly from investors, and how do you respond to them?

Mr. Doll: We do get a fair number of questions about the infrastructure issues. We do get asked about the dividend pretty frequently. There are a number of entities who would love to see us growing our dividend bigger and faster, and we are certainly open to that possibility, and some of these additional ventures that we're getting involved in on the nonregulated side — like public/private partnerships, renewable energy — they have the potential to be able to provide for additional dividend increases into the future. We get asked about the regulatory climate too. We continue to get good rate outcomes from our regulators, and getting timely and adequate recovery of those capital investments within the rate-setting process is critical. So the regulatory environment and the quality of those relationships are important to investors.

This is not an industry where you're going to get dramatic increases in stock price from year to year. That's just not the nature of the regulated water and wastewater industry. But we do have a relatively healthy dividend yield, which investors like. They like the dividend rate, they like that we're getting marginal appreciation in the stock price. So those are probably the key questions that I get, and frankly, on the growth side, people are always interested in what you are going to do next.

TWST: What kinds of investors do you think would be most interested in Middlesex, and why is the second half of this year a good time for those people to take a closer look at you?

Mr. Doll: We've had a solid history for the past 117 years. We've continually increased the dividend, and we've continuously been viewed as a reliable and a trusted entity in all the areas where we do business. We've got great regulatory relations with the commissioners and the staffs that are responsible for regulating our company. We just recently settled a rate case in New Jersey. Those rates became effective July 20.

So to the extent we get some hot, dry weather, and we see some robust pumpage in our water system in New Jersey, we will be able to translate those billings at a higher rate than previously, given the fact that the rates just recently went into effect. Through our strategic partnerships, we are now one year into our first renewable energy project at the Village of Ridgewood, New Jersey, and that project continues to mature as we speak.

As I mentioned, we have a comprehensive suite of services, and we offer smart, practical, and cost-effective water and wastewater solutions for municipalities, developers and small-system owners. We are expected to close on the acquisition of Dover Air Force Base assets by October of this year. So the revenues generated from that contract will start appearing in the fourth quarter. So certainly individual investors have to make their own judgments about the quality of the investment, but we believe we are well positioned for growth in New Jersey, Delaware and beyond, and we believe that's important — along with all those other investment considerations — to investors.

TWST: Thank you. (MES)

DENNIS W. DOLL, CPA
Chairman, President & CEO
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08850
(732) 634-1500
www.middlesexwater.com
e-mail: info@middlesexwater.com

