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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 58,000 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 LineCare™ Program. **Bayview Water Company** 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 24,000 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 4,500 customers. **Tidewater Environmental Services, Inc.** was formed in 2004 to provide wastewater services in Delaware.

Shareholder Services

Inquiries about stock transfer, 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.

1500 Ronson Road, Iselin, NJ 08830-3020
732-634-1500 • Fax 732-638-7515
NASDAQ Stock Market Symbol: MSX
www.middlesexwater.com

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.ftco.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.



A Note from the President

To Our Shareholders,

Third Quarter Results

Middlesex Water Company announced earnings applicable to common stock of \$3.0 million for the quarter ended September 30, 2005, a decrease of \$0.3 million in 2004. Basic and diluted earnings per share of common stock decreased from \$0.29 to \$0.26 per share, primarily due to the reduction in earnings. Consolidated operating revenues were \$20.8 million, up \$1.0 million from \$19.8 million in 2004. Greater water sales revenues were the result of increased water consumption due to weather that was drier than in the same period in 2004. Continued customer growth and a base rate increase of \$0.5 million in April 2005 for the Company's Delaware subsidiary, Tidewater Utilities, Inc. generated \$0.4 million of additional water revenues as compared to 2004. Our Delaware customer base has grown 8.7% in 2005. Revenues from a meter installation venture decreased \$0.5 million, as the contracts for this venture were completed in December 2004. Revenues from all other operations increased \$0.1 million as compared to 2004.

Operating expenses increased to \$16.4 million, up from \$15.4 million. This increase was largely due to \$0.7 million of higher costs for payroll and benefits, primarily for pension, post-retirement and health care and to \$0.3 million of increased costs for purchased water, purchased power, water treatment and repairs to our distribution system in New Jersey. Costs associated with customer growth at Tidewater resulted in an increase of \$0.3 million. Costs associated with the meter venture decreased \$0.5 million.

Interest expense increased \$0.3 million to \$1.6 million, up from \$1.3 million. This increase was due to an increase in short-term borrowing rates combined with a higher overall level of debt to finance the Company's ongoing capital program.

For the nine-month period ended September 30, 2005, earnings applicable to common stock were \$6.2 million, compared to \$6.1 million in 2004. Basic and diluted earnings per share decreased however, from \$0.55 to \$0.54, as a result of higher average shares outstanding as compared to the prior year. The increased shares largely resulted from a sale of 700,000 shares of common stock on May 12, 2004 in addition to shares issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan during 2005. Operating revenues increased to \$56.0 million, up \$2.5 million from \$53.5 million in 2004. Total water sales revenues improved by \$2.7 million in our regulated New Jersey utilities, of which \$1.7 million was a result of a \$4.3 million base rate increase in May 2004. In addition, \$1.0 million was due to increased water consumption. Tidewater's continued customer growth and base rate increases generated \$1.3 million of additional water revenues. Revenues from all other operations increased \$0.2 million over 2004.

Interest expense increased \$0.6 million to \$4.6 million, up from \$4.0 million. This increase was due to an increase in short-term borrowing rates combined with a higher overall level of debt to finance the Company's ongoing capital program.

In November, the Company filed an amended 2004 Annual Report on Form 10-K/A and amended Quarterly Reports on Form 10-Q/A for the periods ended March 31, 2005 and June 30, 2005, in order to restate certain utility plant and cash flow information. The restatements did not have an impact on reported earnings, cash flows from operating activities or cash balances for the periods affected.

Board Declares Dividend

The Board of Directors declared a quarterly common stock dividend of \$0.17 per share, which represents an increase of \$.0025 per share over the prior quarterly rate or, \$0.68 per share on an annual basis. The dividend is payable December 1, 2005, to shareholders of record as of November 15, 2005. This marks the 34th consecutive year of increases in the common dividend. A 5% discount currently being offered on our Dividend Reinvestment Plan will end on December 1, 2005.

Other Matters

On August 23, 2005 Middlesex Water Company filed a petition with the New Jersey Board of Public Utilities seeking approval of a merger of the Bayview Water Company, a 300-customer system in Cumberland County, into the Middlesex Water Company effective on or about January 1, 2006. Middlesex is the sole stockholder of Bayview Water Company.

Management Update

Last month I announced that I will be retiring effective January 1, 2006. I plan to remain on the Board of Directors until the end of my term in May 2006. I have deeply enjoyed my association with the Company since joining it in 1984, and have worked to build an organization of which we can all be proud. Our vision is clear and we have a strong management team in place to continue moving the company forward. I am very confident that my successor, Dennis W. Doll, with his more than 20 years of industry experience, will be able to build upon these achievements. I have worked closely with Dennis since he arrived last November and believe his strong leadership will serve to greatly enhance our position as a trusted and reliable provider of quality service.

I thank you for your continued support and confidence in Middlesex Water Company.



Dennis G. Sullivan
President and Chief Executive Officer
November 23, 2005

MIDDLESEX WATER COMPANY CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2005	2004	2005	2004
Operating Revenues	\$20,832,448	\$19,856,688	\$56,006,102	\$53,502,334
Operating Expenses:				
Operations	10,065,706	9,193,804	28,516,810	27,455,475
Maintenance	765,422	759,352	2,643,226	2,430,319
Depreciation	1,635,403	1,467,523	4,803,610	4,353,222
Other Taxes	2,352,781	2,224,028	6,599,435	6,195,329
Income Taxes	1,535,061	1,714,802	3,096,545	3,240,804
Total Operating Expenses	16,354,373	15,359,509	45,659,626	43,675,149
Operating Income	4,478,075	4,497,179	10,346,476	9,827,185
Other Income (Expense):				
Allowance for Funds Used During Construction	109,009	179,173	459,915	309,455
Other Income	63,368	33,418	154,530	170,983
Other Expense	(1,879)	(85)	(26,348)	(29,761)
Total Other Income, net	170,498	212,506	588,097	450,677
Interest Charges	1,624,145	1,347,475	4,584,315	3,991,681
Net Income	3,024,428	3,362,210	6,350,258	6,286,181
Preferred Stock Dividend Requirements	61,947	63,697	189,340	191,090
Earnings Applicable to Common Stock	\$ 2,962,481	\$ 3,298,513	\$ 6,160,918	\$ 6,095,091
Earnings per share of Common Stock:				
Basic	\$ 0.26	\$ 0.29	\$ 0.54	\$ 0.55
Diluted	\$ 0.26	\$ 0.29	\$ 0.54	\$ 0.55
Average Number of Common Shares Outstanding :				
Basic	11,466,024	11,316,768	11,409,182	10,989,209
Diluted	11,805,164	11,659,908	11,750,989	11,332,349
Cash Dividends Paid per Common Share	\$ 0.1675	\$ 0.1650	\$ 0.5025	\$ 0.4950