



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.rtco.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 website 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 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.



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A Note from the President

To Our Shareholders,

First Quarter Results

For the quarter ended March 31, 2006 we announced consolidated operating revenues were \$18.2 million, up \$1.5 million from \$16.7 million from the same period in 2005. Earnings Applicable to Common Stock were \$1.7 million, or \$0.15 per share of Common Stock, as compared to \$1.3 million, or \$0.12 per share in 2005.

Water sales revenues improved by \$1.0 million in our New Jersey systems, which was primarily a result of base rate increases. Continued customer growth and a base rate increase for the Company's largest Delaware subsidiary, Tidewater Utilities, Inc. (Tidewater) generated an additional \$0.3 million in revenues during the quarter. The Company's non-regulated subsidiaries, Utility Service Affiliates, Inc. and White Marsh Environmental Systems, Inc. contributed to increased revenues of \$0.2 million as compared with the same period in 2005.

We are beginning to realize the full effect of rate decisions received in 2005, and we continue to address the impact of customer growth in our Delaware operations. We remain focused on timely recovery of prudently incurred capital investments.

In April, Tidewater filed a request with the Delaware Public Service Commission for an overall increase of \$5.5 million over current revenues to cover costs of increased capital investment as well as increased operations and maintenance expenses. Since its last rate filing in April 2004 and through the end of 2005, Tidewater has invested over \$20 million in plant upgrades and equipment to replace aging infrastructure in its existing service area and to keep pace with continued growth in its customer base.

Also in April, the New Jersey Board of Public Utilities approved an overall base rate increase for our Pinelands subsidiaries of approximately \$0.1 million, or 3.4%.

Board Declares Dividend

The Board of Directors of Middlesex Water Company declared a quarterly cash dividend of \$0.17 per share, on the Common Stock, payable on June 1, 2006, to stockholders of record as of May 15, 2006. The Company has paid cash dividends in varying amounts continually since 1912. Middlesex Water has a Dividend Reinvestment Plan under which dividends and optional cash payments can be used to purchase additional shares of common stock.

RENEW Work Area Selected

Middlesex Water Company will be investing \$3.4 million to clean and line approximately 5.1 miles of water mains in Woodbridge Township beginning in May. The RENEW Program involves cleaning the accumulated scale from older sections of cast iron pipe and installing a new cement lining. This effort is designed to enhance water quality and improve water flows.

Continued Growth In Delaware

In spite of the recent rise in interest rates and a general softening of the housing market we continue to respond to developer requests for proposals for both water and wastewater services in Delaware. We are looking forward to these investments adding to shareholder value upon build-out of these developer projects.

We thank you for your continued support and confidence.



Dennis W. Doll

President and Chief Executive Officer

May 12, 2006

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited))

	Three Months Ended March 31,	
	2006	2005
Operating Revenues	<u>\$18,230,146</u>	<u>\$16,742,903</u>
Operating Expenses:		
Operations	9,646,131	9,041,996
Maintenance	738,984	898,685
Depreciation	1,668,393	1,548,048
Income Taxes	<u>2,203,453</u>	<u>2,083,134</u>
Total Operating Expenses	<u>14,256,961</u>	<u>13,571,863</u>
Operating Income	3,973,185	3,171,040
Other Income (Expense):		
Allowance for Funds Used During Construction	112,636	210,450
Other Income	57,938	55,219
Other Expense	<u>(1,739)</u>	<u>(8,145)</u>
Total Other Income, net	<u>168,835</u>	<u>257,524</u>
Income before Interest and Income Taxes	<u>4,142,020</u>	<u>3,428,564</u>
Interest Charges	<u>1,514,998</u>	<u>1,382,092</u>
Income before Income Taxes	<u>2,627,022</u>	<u>2,046,472</u>
Income Taxes	<u>814,658</u>	<u>666,770</u>
Net Income	1,812,364	1,379,702
Preferred Stock Dividend Requirements	<u>61,947</u>	<u>63,697</u>
Earnings Applicable to Common Stock	<u>\$ 1,750,417</u>	<u>\$ 1,316,005</u>
Earnings per share of Common Stock:		
Basic	\$ 0.15	\$ 0.12
Diluted	\$ 0.15	0.12
Average Number of Common Shares Outstanding :		
Basic	11,593,624	11,367,475
Diluted	11,924,764	11,710,615
Cash Dividends Paid per Common Share	\$ 0.1700	\$ 0.1675