



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

FIRST CLASS MAIL
U.S. POSTAGE
PAID
Permit No. 153
Newark, NJ

A Note from the President

To Our Shareholders,

The Middlesex Water Company Board of Directors declared a cash dividend of \$0.17 per common share payable September 1, 2006 to shareholders of record as of August 15, 2006.

The second quarter of 2006 yielded positive results in a number of areas. Earnings Applicable to Common Stock were \$2.9 million or, \$0.25 per common share on a fully diluted basis, as compared to \$1.9 million or, \$0.16 per share in the second quarter of 2005.

Operating revenues for the quarter were \$21.0 million, an increase of \$2.6 million over the same period in 2005. Operating revenues increased \$0.6 million due to increased water sales resulting from hot, dry weather. Base rate increases received in the regulated utilities, the largest of which was received in New Jersey in December 2005, contributed \$1.2 million of the increase. Water consumption and related fees from customer growth, primarily in our Delaware subsidiaries, added \$0.7 million to the increase, while additional revenues from other sources contributed \$0.1 million.

Operation and maintenance expenses for the quarter were \$10.8 million, an increase of \$0.4 million over the same period in 2005. Approximately \$0.2 million of this increase is due to additional costs for wages and benefits, some of which is resulting from additional employees to support growth. The remaining \$0.2 million of the increase relates to a combination of additional wastewater treatment costs in Delaware and various miscellaneous items. We continue to focus on diligently managing our variable production costs as well as our non-variable costs, with an emphasis on continually improving our operating margins.

We had reported to you in the first quarter of 2006 that we had filed for a \$5.5 million increase in annual operating revenues for Tidewater Utilities, Inc., our regulated water utility in Delaware. On June 27th the Delaware Public Service Commission approved an initial portion of this request or, \$1.6 million in annual revenues, subject to refund pending review and approval of the overall request. Delaware regulations allow for an interim rate increase prior to the conclusion of rate proceedings, provided such interim rates do not exceed the lesser of 15% of total operating revenues or \$2.5 million. We continue to work through the discovery phase of this proceeding and expect a final decision by early 2007.

Our regulated water and wastewater utilities in Delaware continue to expand their franchise territories. Tidewater has executed numerous water service agreements with various developers to provide water treatment and distribution services. Tidewater also continues to add customers from build-out related to water service agreements that had been executed in prior periods.

Profitable expansion of our regulated wastewater business in Delaware through Tidewater Environmental Services, Inc. continues to be a significant priority for us. As indicated in our first quarter report, in spite of the recent national trend of slower growth in the housing markets and increased interest rates, we continue to respond to numerous requests for proposals from developers in Delaware for the construction and operation of wastewater collection and treatment facilities. We have been selected as the successful service provider for several significant projects, which we expect to contribute to long-term shareholder value.

We continue to expand our LineCaresm water service line protection program in both New Jersey and Delaware. Since January 2006, we have increased our customer base for this service by 13%. Although not yet contributing appreciably to earnings per share, we see this program as: 1) an important service for the homeowner that also provides us opportunity for further revenue growth, 2) providing supplemental income that contributes to continually improving operating margins 3) complementary to our capabilities for maintaining water and wastewater infrastructure and 4) integral to building quality relationships with municipalities and others who may desire further services in the future.

We are working to further drive financial and operational performance through a variety of initiatives that are well underway. We continue to implement additional technology and business process improvements in areas such as mapping, procurement, budgeting, capital planning, management reporting and other areas where these tools are expected to translate into continued improvements in financial and operating results.

Your management team is enthused about our additional prospects to add to long-term shareholder value and we appreciate your continued support.



Dennis W. Doll
President and Chief Executive Officer

MIDDLESEX WATER COMPANY CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Operating Revenues	\$21,037,055	\$18,430,751	\$39,267,201	\$35,173,654
Operating Expenses:				
Operations	10,011,895	9,409,108	19,658,026	18,451,104
Maintenance	794,248	979,119	1,533,232	1,877,804
Depreciation	1,712,740	1,620,159	3,381,133	3,168,207
Other Taxes	2,369,072	2,163,520	4,572,525	4,246,654
Total Operating Expenses	14,887,955	14,171,906	29,144,916	27,743,769
Operating Income	6,149,100	4,258,845	10,122,285	7,429,885
Other Income:				
Allowance for Funds Used During Construction	115,388	140,456	228,025	350,906
Other Income	40,840	35,943	98,778	91,162
Other Expense	(12,519)	(16,324)	(14,258)	(24,469)
Total Other Income, net	143,709	160,075	312,545	417,599
Interest Charges	1,808,118	1,578,078	3,323,116	2,960,170
Income before Income Taxes	4,484,691	2,840,842	7,111,714	4,887,314
Income Taxes	1,516,855	894,714	2,331,514	1,561,484
Net Income	2,967,836	1,946,128	4,780,200	3,325,830
Preferred Stock Dividend Requirements	61,946	63,696	123,893	127,393
Earnings Applicable to Common Stock	\$ 2,905,890	\$ 1,882,432	\$ 4,656,307	\$ 3,198,437
Earnings per share of Common Stock:				
Basic	\$ 0.25	\$ 0.17	\$ 0.40	\$ 0.28
Diluted	\$ 0.25	\$ 0.16	\$ 0.40	\$ 0.28
Average Number of Common Shares Outstanding :				
Basic	11,610,579	11,392,964	11,602,149	11,380,290
Diluted	11,941,719	11,736,104	11,933,289	11,723,430
Cash Dividends Paid per Common Share	\$ 0.1700	\$ 0.1675	\$ 0.3400	\$ 0.3350