



Middlesex Water Company Reports Second Quarter Earnings

August 4, 2006

ISELIN, NJ -- (MARKET WIRE) -- 08/04/06 -- Middlesex Water Company, (NASDAQ: MSEX), a provider of water and wastewater services in New Jersey and Delaware, today announced that its Board of Directors has declared a cash dividend of \$0.17 per common share payable September 1, 2006 to shareholders of record as of August 15, 2006.

Second Quarter 2006 Results

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 the 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. The Company continues to focus on diligently managing its variable production costs as well as its non-variable costs, with an emphasis on continually improving operating margins.

Six-Month Results

For the six months ended June 30, 2006, revenues rose to \$39.3 million, an increase of \$4.1 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 in the regulated utilities contributed \$2.3 million of the increase. Water consumption and related fees from customer growth, primarily in Delaware, added \$0.6 million to the increase, while additional revenues from other sources contributed \$0.6 million.

Earnings Applicable to Common Stock increased from \$3.2 million to \$4.7 million as compared to the same period in 2005. Basic and diluted earnings per share increased from \$0.28 to \$0.40.

Rate Filings

In the first quarter of 2006, Middlesex had filed for a \$5.5 million increase in annual operating revenues for Tidewater Utilities, Inc., the Company's 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. The Company continues to work through the discovery phase of this proceeding and expects a final decision by early 2007.

Growth in Delaware

The Company's 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.

"A significant priority for the Company remains the profitable expansion of our regulated wastewater business in Delaware," said Dennis Doll, Middlesex President & CEO. "We expect this business to contribute to shareholder value over the long-term. In spite of the recent national trend of slower growth in the housing markets and increased interest rates, the Company continues to respond to numerous requests for proposals from developers in Delaware for the construction and operation of wastewater collection and treatment facilities. We have recently been selected as the service provider for several significant projects."

The Company continues to expand its LineCare(SM) water service line protection program in both New Jersey and Delaware. Since January 2006 the customer base for this service has increased by 13%. Although not yet contributing appreciably to earnings per share, the Company views this program as: 1) an important service for the homeowner that also provides an opportunity for further revenue growth, 2) providing supplemental income that contributes to continually improving operating margins 3) complementary to the Company's 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.

Middlesex is working to further drive financial and operational performance through a variety of initiatives that are well underway. The Company continues 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.

About Middlesex Water Company

Middlesex Water Company, organized in 1897, is an investor-owned water utility, serving customers in central and southern New Jersey and in the State of Delaware. The Company and its New Jersey subsidiaries -- Pinelands Water Company and Pinelands Wastewater Company -- are subject to the regulations of the Board of Public Utilities of the State of New Jersey. Middlesex Water operates the water and wastewater utilities for the City of Perth Amboy through its subsidiary, Utility Service Affiliates (Perth Amboy), Inc. Middlesex Water also provides contract operations services and a service line maintenance program through its non-regulated subsidiary, Utility Service Affiliates, Inc. The Company's regulated Delaware subsidiaries, Tidewater Utilities, Inc., together with Southern Shores Water Company, and Tidewater Environmental Services, Inc. (TESI) are subject to the regulations of the Public Service Commission in Delaware. TESI provides regulated wastewater utility services. White Marsh Environmental Systems, Inc. operates small water and wastewater systems under contract on a non-regulated basis in Delaware. These companies are also subject to various Federal, State and regulatory agencies concerning water and wastewater effluent, quality standards.

For additional information regarding Middlesex Water Company, visit the Company's Web site at www.middlesexwater.com or call (732) 634-1500.

Certain matters discussed in this press release are "forward-looking statements" regarding the Company's results of operations and financial position. Such statements address future plans, objectives, expectations and events concerning various matters such as capital expenditures, earnings, litigation, growth potential, rate, regulatory matters, liquidity, capital resources and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2006	2005	2006	2005
	=====	=====	=====	=====
Operating Revenues	\$ 21,037,055	\$ 18,430,751	\$ 39,267,201	\$ 35,173,654
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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
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Total □				
Operating □				
Expenses	14,887,955	14,171,906	29,144,916	27,743,769
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Operating Income	6,149,100	4,258,845	10,122,285	7,429,885
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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)
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Total Other Income, net	143,709	160,075	312,545	417,599
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Interest Charges	1,808,118	1,578,078	3,323,116	2,960,170
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Income before Income Taxes	4,484,691	2,840,842	7,111,714	4,887,314
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Income Taxes	1,516,855	894,714	2,331,514	1,561,484
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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
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Earnings Applicable to Common Stock	\$ 2,905,890	\$ 1,882,432	\$ 4,656,307	\$ 3,198,437
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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

Contact: ☐
Bernadette M. Sohler
Director of Communications
(732) 634-1500