UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________to ___________

Commission File Number 0-422

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

New Jersey	**22-1114430**
(State of incorporation)	(IRS employer identification no.)

485C Route One South, Iselin, New Jersey08830
(Address of principal executive offices, including zip code)

(732) 634-1500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	MSEX	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐		Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☒

The number of shares outstanding of each of the registrant's classes of Common Stock, as of October 28, 2022: Common Stock, No Par Value: 17,638,595 shares outstanding.

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MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands except per share amounts)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating Revenues	**$ 47,732**	$ 39,874	**$ 123,611**	$ 109,117
Operating Expenses:				
Operations and Maintenance	**20,312**	18,950	**59,007**	55,265
Depreciation	**5,814**	5,504	**17,107**	15,523
Other Taxes	**5,031**	3,996	**13,543**	11,456
Total Operating Expenses	**31,157**	28,450	**89,657**	82,244
Gain on Sale of Subsidiary	-	-	5232	-
Operating Income	**16,575**	11,424	**39,186**	26,873
Other Income (Expense):				
Allowance for Funds Used During Construction	**627**	344	**1,553**	2,376
Other Income (Expense), net	**1,412**	744	**4,185**	2,308
Total Other Income, net	**2,039**	1,088	**5,738**	4,684
Interest Charges	**2,355**	2,101	**6,574**	5,910
Income before Income Taxes	**16,259**	10,411	**38,350**	25,647
Income Taxes	**1,968**	(1,065)	**3,092**	(3,658)
Net Income	**14,291**	11,476	**35,258**	29,305
Preferred Stock Dividend Requirements	**30**	30	**90**	90
Earnings Applicable to Common Stock	**$ 14,261**	$ 11,446	**$ 35,168**	$ 29,215
Earnings per share of Common Stock:				
Basic	**$ 0.81**	$ 0.65	**$ 2**	$ 1.67
Diluted	**$ 0.8**	$ 0.65	**$ 1.99**	$ 1.66
Average Number of Common Shares Outstanding:				
Basic	**17,628**	17,491	**17,583**	17,485
Diluted	**17,743**	17,606	**17,698**	17,600

See Notes to Condensed Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

ASSETS		September 30, 2022	December 31, 2021
UTILITY PLANT:	Water Production	**$ 246,426**	$ 247,286
	Transmission and Distribution	**709,748**	697,200
	General	**96,433**	95,658
	Construction Work in Progress	**59,152**	24,947
	TOTAL	**1,111,759**	1,065,091
	Less Accumulated Depreciation	**211,902**	199,723
	UTILITY PLANT - NET	**899,857**	865,368
CURRENT ASSETS:	Cash and Cash Equivalents	**2,908**	3,533
	Accounts Receivable, net of allowance for uncollectible accounts of $2,593 and $2,574, respectively	**18,081**	15,311
	Unbilled Revenues	**11,022**	7,273
	Materials and Supplies (at average cost)	**5,792**	5,358
	Prepayments	**3,669**	2,880
	TOTAL CURRENT ASSETS	**41,472**	34,355
OTHER ASSETS:	Operating Lease Right of Use Asset	**3,992**	4,503
	Preliminary Survey and Investigation Charges	**3,244**	3,540
	Regulatory Assets	**104,903**	100,738
	Non-utility Assets - Net	**11,096**	11,428
	Other	**105**	83
	TOTAL OTHER ASSETS	**123,340**	120,292
	TOTAL ASSETS	**$ 1,064,669**	$ 1,020,015
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	**$ 232,423**	$ 221,919
	Retained Earnings	**165,652**	145,807
	TOTAL COMMON EQUITY	**398,075**	367,726
	Preferred Stock	**2,084**	2,084
	Long-term Debt	**301,238**	306,520
	TOTAL CAPITALIZATION	**701,397**	676,330
CURRENT LIABILITIES:	Current Portion of Long-term Debt	**7,567**	6,731
	Notes Payable	**40,500**	13,000
	Accounts Payable	**25,873**	21,125
	Accrued Taxes	**12,585**	8,621
	Accrued Interest	**2,174**	1,986
	Unearned Revenues and Advanced Service Fees	**1,477**	1,330
	Other	**2,791**	3,826
	TOTAL CURRENT LIABILITIES	**92,967**	56,619
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)			
OTHER LIABILITIES:	Customer Advances for Construction	**22,425**	23,529
	Lease Obligations - Operating	**3,871**	4,367
	Accumulated Deferred Income Taxes	**76,979**	69,500
	Employee Benefit Plans	**8,062**	11,290
	Regulatory Liabilities	**46,693**	49,431
	Other	**1,004**	1,086
	TOTAL OTHER LIABILITIES	**159,034**	159,203
CONTRIBUTIONS IN AID OF CONSTRUCTION		**111,271**	127,863
	TOTAL CAPITALIZATION AND LIABILITIES	**$ 1,064,669**	$ 1,020,015

See Notes to Condensed Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	**$ 35,258**	$ 29,305
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	**20,135**	17,253
Provision for Deferred Income Taxes	**(4,312)**	(11,801)
Equity Portion of Allowance for Funds Used During Construction (AFUDC)	**(914)**	(1,356)
Cash Surrender Value of Life Insurance	**474**	(97)
Stock Compensation Expense	**1,270**	1,033
Gain on Sale of Subsidiary	**(5,232)**	-
Changes in Assets and Liabilities:		
Accounts Receivable	**(2,770)**	(2,459)
Unbilled Revenues	**(3,749)**	(2,009)
Materials and Supplies	**(434)**	(44)
Prepayments	**(789)**	(1,141)
Accounts Payable	**4,748**	(13,103)
Accrued Taxes	**3,964**	2,550
Accrued Interest	**188**	(943)
Employee Benefit Plans	**(1,973)**	1,187
Unearned Revenue & Advanced Service Fees	**146**	139
Other Assets and Liabilities	**(1,769)**	124
NET CASH PROVIDED BY OPERATING ACTIVITIES	**44,241**	18,638
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures, Including AFUDC of $639 in 2022 and $1,020 in 2021	**(65,939)**	(61,245)
Proceeds from Sale of Subsidiary	**3,122**	-
NET CASH USED IN INVESTING ACTIVITIES	**(62,817)**	(61,245)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	**(6,397)**	(28,655)
Proceeds from Issuance of Long-term Debt	**2,663**	21,595
Net Short-term Bank Borrowings	**27,500**	48,000
Deferred Debt Issuance Expense	**(612)**	(35)
Common Stock Issuance Expense	**(25)**	-
Proceeds from Issuance of Common Stock	**10,064**	885
Payment of Common Dividends	**(15,298)**	(14,294)
Payment of Preferred Dividends	**(90)**	(90)
Construction Advances and Contributions-Net	**146**	10,079
NET CASH PROVIDED BY FINANCING ACTIVITIES	**17,951**	37,485
NET CHANGES IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(625)**	(5,122)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	**3,533**	10,404
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	**$ 2,908**	$ 5,282
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Utility Plant received as Construction Advances and Contributions	**$ 5,705**	$ 4,279
Non-Cash Consideration for Sale of Subsidiary	**2,100**	-
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Year for:		
Interest	**$ 6,793**	$ 7,091
Interest Capitalized	**$ 639**	$ 1,020
Income Taxes	**$ 2,125**	$ 3,235

See Notes to Condensed Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CAPITAL STOCK AND LONG-TERM DEBT
(Unaudited)
(In thousands)

	September 30, 2022	December 31, 2021
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares Outstanding - 2022 - 17,638; 2021 - 17,522	**$ 232,423**	$ 221,919
Retained Earnings	**165,652**	145,807
TOTAL COMMON EQUITY	**$ 398,075**	$ 367,726
Cumulative Preferred Stock, No Par Value:		
Shares Authorized - 120		
Shares Outstanding - 20		
Convertible:		
Shares Outstanding, $7.00 Series - 10	**$ 1,005**	$ 1,005
Nonredeemable:		
Shares Outstanding, $7.00 Series - 1	**79**	79
Shares Outstanding, $4.75 Series - 10	**1,000**	1,000
TOTAL PREFERRED STOCK	**$ 2,084**	$ 2,084
Long-term Debt:		
First Mortgage Bonds, 0.00%-5.50%, due 2023-2059	**$ 252,269**	$ 203,892
Amortizing Secured Notes, 3.94%-7.05%, due 2028-2046	**45,592**	47,613
State Revolving Trust Notes, 2.00%-4.22%, due 2022-2041	**9,551**	7,510
Construction Loans, 0.00%	**-**	52,131
SUBTOTAL LONG-TERM DEBT	**307,412**	311,146
Add: Premium on Issuance of Long-term Debt	**6,973**	7,271
Less: Unamortized Debt Expense	**(5,580)**	(5,166)
Less: Current Portion of Long-term Debt	**(7,567)**	(6,731)
TOTAL LONG-TERM DEBT	**$ 301,238**	$ 306,520

See Notes to Condensed Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Common Stock Shares		Common Stock Amount		Retained Earnings		Total
For the Three Months Ended September 30, 2021							
Balance at July 1, 2021	17,490	$	218,100	$	136,998	$	355,098
Net Income	-		-		11,476		11,476
Middlesex Water Company Invesment Plan	3		289		-		289
Restricted Stock Award - Net - Employees	-		273		-		273
Cash Dividends on Common Stock ($0.2725 per share)	-		-		(4,766)		(4,766)
Cash Dividends on Preferred Stock	-		-		(30)		(30)
Balance at September 30, 2021	**17,493**	$	**218,662**	$	**143,678**	$	**362,340**
For the Nine Months Ended September 30, 2021							
Balance at January 1, 2021	17,473	$	217,451	$	128,757	$	346,208
Net Income	-		-		29,305		29,305
Middlesex Water Company Invesment Plan	11		885		-		885
Restricted Stock Award - Net - Employees	6		81		-		81
Restricted Stock Award - Board of Directors	3		245		-		245
Cash Dividends on Common Stock ($0.8175 per share)	-		-		(14,294)		(14,294)
Cash Dividends on Preferred Stock	-		-		(90)		(90)
Balance at September 30, 2021	**17,493**	**$**	**218,662**	**$**	**143,678**	**$**	**362,340**
For the Three Months Ended September 30, 2022							
Balance at July 1, 2022	17,604	$	229,037	$	156,530	$	385,567
Net Income	-		-		14,291		14,291
Middlesex Water Company Invesment Plan	34		3,025		-		3,025
Restricted Stock Award - Net - Employees	-		361		-		361
Cash Dividends on Common Stock ($0.2900 per share)	-		-		(5,114)		(5,114)
Cash Dividends on Preferred Stock	-		-		(30)		(30)
Common Stock Expenses	-		-		(25)		(25)
Balance at September 30, 2022	**17,638**	$	**232,423**	$	**165,652**	$	**398,075**
For the Nine Months Ended September 30, 2022							
Balance at January 1, 2022	17,522	$	221,919	$	145,807	$	367,726
Net Income	-		-		35,258		35,258
Middlesex Water Company Invesment Plan	110		10,064		-		10,064
Restricted Stock Award - Net - Employees	3		160		-		160
Restricted Stock Award - Board of Directors	3		280		-		280
Cash Dividends on Common Stock ($0.8700 per share)	-		-		(15,298)		(15,298)
Cash Dividends on Preferred Stock	-		-		(90)		(90)
Common Stock Expenses	-		-		(25)		(25)
Balance at September 30, 2022	**17,638**	$	**232,423**	$	**165,652**	$	**398,075**

See Notes to Condensed Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation and Recent Developments

Middlesex Water Company (Middlesex or the Company) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater), Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands), Utility Service Affiliates, Inc. (USA), and Utility Service Affiliates (Perth Amboy) Inc. (USA-PA). Southern Shores Water Company, LLC (Southern Shores) and White Marsh Environmental Systems, Inc. (White Marsh) are wholly-owned subsidiaries of Tidewater. The financial statements for Middlesex and its wholly-owned subsidiaries are reported on a consolidated basis. All significant intercompany accounts and transactions have been eliminated.

The consolidated notes within the 2021 Annual Report on Form 10-K (the 2021 Form 10-K) are applicable to these financial statements and, in the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary (including normal recurring accruals) to present fairly the financial position as of September 30, 2022, the results of operations for the three month and nine month periods ended September 30, 2022 and 2021 and cash flows for the nine month periods ended September 30, 2022 and 2021. Information included in the Condensed Consolidated Balance Sheet as of December 31, 2021, has been derived from the Company's December 31, 2021 audited financial statements included in the 2021 Form 10-K.

Recent Developments

Regulatory Notice of Non-Compliance – In September 2021, the New Jersey Department of Environmental Protection (NJDEP) issued a Notice of Non-Compliance (Notice) to Middlesex based on self-reporting by Middlesex that the level of Perfluorooctanoic Acid (PFOA) in water treated at its Park Avenue Wellfield Treatment Plant in South Plainfield, New Jersey exceeded a recently promulgated NJDEP standard effective in 2021. The NJDEP standard for PFOA was developed based on a Health-based Maximum Contaminant Level of 14 parts per trillion. Neither the NJDEP nor Middlesex has characterized this exceedance as an acute health threat. However, Middlesex was required to notify its affected customers and complied in November 2021 as required by the regulation.

The Notice further required the Company to take any action necessary to comply with the new standard by September 7, 2022. The Company began construction of an enhanced treatment process at the Park Avenue Wellfield Treatment Plant to comply with the new standard prior to the regulation being enacted. Since completion is not expected until mid-2023, in December 2021, the Company implemented an interim solution to meet the Notice requirements. The Park Avenue Wellfield Treatment Plant was taken off-line and alternate sources of supply have been obtained. Simultaneously, the Company accelerated a portion of the enhanced treatment project to allow a restart of the Park Avenue Wellfield Treatment Plant ahead of historical higher water demand periods during the summer months.

In June 2022, construction of the accelerated portion was completed and the Park Avenue Wellfield Treatment Plant is effectively treating ground water to ensure compliance with all state and federal drinking water standards. Working in coordination with the NJDEP, the Company successfully restarted the Park Avenue Wellfield Treatment Plant and introduced wellfield water into the distribution system. Water being delivered to customers is in compliance with all United States Environmental Protection Agency and NJDEP drinking water standards, including the newly established water quality standard for PFOA.

On September 13, 2022, the Company entered into an Administrative Consent Order (ACO) with the NJDEP, which requires the Company to take whatever actions are necessary to achieve and maintain compliance with the Safe Drinking Water Act, N.J.S.A, 58:12A-1 et seq., and the Safe Drinking Water Act regulations N.J.A.C. 7:10-1 et seq., including applicable public notifications. The Company's agreement to enter into an ACO avoided any further Notice regarding the fact that the permanent treatment solution was not in service by September 7, 2022. The Company must issue the public notifications by February 22, 2023 and continue to complete and distribute public information as prescribed in the ACO. In addition, in accordance with the ACO:

- On or before June 30, 2023, the Company shall complete the permanent construction of the Park Avenue Wellfield treatment upgrades, place the treatment upgrades into operation, and all water at the Park Avenue Wellfield Treatment Plant shall be treated to comply with the PFOA NJDEP standards.
- The Company must perform required sample testing and reporting for PFOA subsequent to completion of the Park Avenue Wellfield treatment upgrades.
- The Company shall submit to the NJDEP quarterly progress reports detailing the Company's compliance with the ACO.

The Company's failure to comply with the compliance schedule and/or progress reporting requirements of the ACO could lead to penalties up to $500 per day. In addition, the NJDEP could penalize the Company for other violations, if any, of the ACO.

In November 2021, the Company was served with two PFOA-related class action lawsuits seeking restitution for medical, water replacement and other claimed related costs. These lawsuits are in the early stages of the legal process and their ultimate resolution cannot be predicted at this time. The Company's insurance provider has acknowledged coverage of potential liability which may result from these lawsuits. In May 2022, the Company impleaded 3M Company (3M) as a third-party defendant in one of these class action lawsuits. The Company has taken this action in addition to a separate lawsuit the Company initiated against 3M seeking to hold 3M accountable for introduction of perfluoroalkyl substances, which include PFOA, into the Company's water supply at its Park Avenue Wellfield facility.

In January 2022, the Company filed a petition with the New Jersey Board of Public Utilities (NJBPU) seeking to establish a regulatory asset and deferred accounting treatment until its next base rate setting proceeding for all costs associated with the interim solution to comply with the Notice. The Company is currently awaiting a decision on this matter from the NJBPU.

Sale of Subsidiary – In January 2022, Middlesex closed on the Delaware Public Service Commission (DEPSC) approved sale of 100% of the common stock of its subsidiary Tidewater Environmental Services, Inc. to Artesian Wastewater Management, Inc. for $6.4 million in cash and other consideration, resulting in a $5.2 million pre-tax gain. The Company will continue to own and operate its non-regulated water and wastewater contract operations business in Delaware.

Borough of Avalon, New JerseyContract Renewal – In August 2022, USA, Middlesex's non-regulated subsidiary, was awarded a competitively-bid 10-year operations and maintenance contract with the Borough of Avalon, New Jersey (Avalon) under which USA will continue to operate Avalon's water utility, sewer utility and storm water system. USA is also required to manage capital projects funded by Avalon. USA previously operated Avalon's water utility, sewer utility and storm water system under a 10-year contract that expired in August 2022. The new contract commenced September 1, 2022.

Coronavirus (COVID-19) Pandemic – On October 13, 2022, the United States Secretary of Health and Human Services renewed the determination that a nationwide health emergency exists as a result of the COVID-19 Pandemic. While the Company's operations and capital construction program have not been materially disrupted to date from the pandemic, the COVID-19 impact on economic conditions nationally continues to be uncertain and could affect the Company's results of operations, financial condition and liquidity in the future. In New Jersey, the declared COVID-19 State of Emergency ended in March 2022. In Delaware, the declared COVID-19 State of Emergency Order ended in July 2021.

The NJBPU and the DEPSC have approved the tracking of COVID-19 related incremental costs for potential recovery in customer rates in future rate proceedings. Neither jurisdiction has established a timetable or definitive formal procedures for seeking cost recovery. The Company has increased its allowance for doubtful accounts for expected increases in accounts receivable write-offs due to the financial impact of COVID-19 on customers. Since the ultimate rate treatment to be determined by the NJBPU and the DEPSC regarding incremental costs related to COVID-19 is not definitively known at this time, the Company has not deferred any such costs. We will continue to monitor the effects of COVID-19 and evaluate its impact on the Company's results of operations, financial condition and liquidity.

Recent Accounting Guidance

There is no new adopted or proposed accounting guidance that the Company is aware of that could have a material impact on the Company's financial statements.

Note 2 – Rate and Regulatory Matters

Middlesex - In December 2021, Middlesex's petition to the NJBPU seeking permission to increase its base water rates was concluded, based on a negotiated settlement, resulting in an expected increase in annual operating revenues of $27.7 million. The approved tariff rates were designed to recover increased operating costs as well as a return on invested capital of $513.5 million, based on an authorized return on common equity of 9.6%. The increase is being implemented in two phases with $20.7 million of the increase effective January 1, 2022 and the remaining $7.0 million effective January 1, 2023. As part of the negotiated settlement, the Purchased Water Adjustment Clause (PWAC), which is a rate mechanism that allows for recovery of increased purchased water costs between base rate case filings, was reset to zero.

In September 2022, the NJBPU approved Middlesex's Emergency Relief Motion to reset its PWAC tariff rate to recover additional costs of $2.7 million for the purchase of treated water from a non-affiliated regulated water utility. The increase, effective October 1, 2022, is on an interim basis and subject to refund with interest, pending final resolution of this matter.

Tidewater - On August 31, 2022, DEPSC issued an Order requiring Tidewater to reduce its base rates charged to general metered and private fire customers by 6%, effective for service rendered on and after September 1, 2022. In June 2022, the Delaware Division of the Public Advocate filed a petition with the DEPSC requesting that Tidewater's rates be reduced based on the claim that Tidewater had been earning above its authorized rate of return. The rate reduction is expected to reduce annual revenues by approximately $2.2million.

In June 2022, Tidewater notified the DEPSC of its intention to likely file for a base water rate increase in the first quarter of 2023 based on projected increases in operational expenses and capital construction expenditures.

Pinelands - In September 2022, Pinelands Water and Pinelands Wastewater filed separate petitions with the NJBPU seeking permission to increase base rates by approximately $0.6 million and $0.4 million per year, respectively. These requests were necessitated by capital infrastructure investments both companies have made, or have committed to make, and increased operations and maintenance costs. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the requests. A decision by the NJBPU in either matter is not expected before the first quarter of 2023.

Twin Lakes Utilities, Inc. (Twin Lakes) - Twin Lakes provides water services to approximately 115 residential customers in Shohola, Pennsylvania. Pursuant to the Pennsylvania Public Utility Code, Twin Lakes filed a petition requesting the Pennsylvania Public Utilities Commission (PAPUC) to order the acquisition of Twin Lakes by a capable public utility. The PAPUC assigned an Administrative Law Judge (ALJ) to adjudicate the matter and submit a recommended decision (Recommended Decision) to the PAPUC. As part of this legal proceeding the PAPUC also issued an Order in January 2021 appointing a large Pennsylvania based investor-owned water utility as the receiver (the Receiver Utility) of the Twin Lakes system until the petition is fully adjudicated by the PAPUC. In November 2021, the PAPUC issued an Order affirming the ALJ's Recommended Decision, ordering the Receiver Utility to acquire the Twin Lakes water system and for Middlesex to submit $1.7 million into an escrow account within 30 days. Twin Lakes immediately filed a Petition For Review (PFR) with the Commonwealth Court of Pennsylvania (the Commonwealth Court) seeking reversal and vacation of the escrow requirement on the grounds that it violates the Pennsylvania Public Utility Code as well as the United States Constitution. In addition, Twin Lakes filed an emergency petition for stay of the PAPUC Order pending the Commonwealth Court's review of the merits arguments contained in Twin Lakes' PFR. In December 2021, the Commonwealth Court granted Twin Lakes' emergency petition, pending its review. In August 2022, the Commonwealth Court issued an opinion upholding PAPUC's November 2021 Order in its entirety. In September 2022, Twin Lakes filed a Petition For Allowance of Appeal to the Supreme Court of Pennsylvania seeking reversal of the Commonwealth Court's decision to uphold the escrow requirement on the grounds that the Commonwealth Court erred in failing to address Twin Lakes' constitutional claims. The timing of the final decision by the Supreme Court of Pennsylvania and the final adjudication of this matter cannot be predicted at this time.

The financial results, total assets and financial obligations of Twin Lakes are not material to Middlesex.

Note 3 – Capitalization

Common Stock - During the nine months ended September 30, 2022 and 2021, there were 110,614 common shares (approximately $10.1 million) and 10,641 common shares (approximately $0.9 million) respectively, issued under the Middlesex Water Company Investment Plan (the Investment Plan). The 3% purchase discount offering period on the Company's common stock through the Investment Plan expired on August 1, 2022.

Long-term Debt - In May 2022, Middlesex repaid its two outstanding New Jersey Infrastructure Bank (NJIB) construction loans by issuing First Mortgage Bonds (FMBs) to the NJIB under two loan agreements. The total amount of FMBs issued is $52.2 million and designated as Series 2022A ($16.2 million) and Series 2022B ($36.0 million). The interest rate on the Series 2022A bond is zero and the interest rate on the Series 2022B bond ranges between 2.7% and 3.0%. The final maturity date for both FMBs is August 1, 2056, with scheduled debt service payments over the life of these loans.

In November 2021, Tidewater received approval from the DEPSC to borrow up to $5.0 million under the Delaware State Revolving Fund (SRF) Program for construction of a one million gallon elevated storage tank. Tidewater closed on the $5.0 million loan at an interest rate of 2.0% in December 2021 and began receiving disbursements in January 2022. Through September 30, 2022, Tidewater has drawn a total of $2.6 million and expects borrowing under this loan to continue through mid-2023. The final maturity date on the loan is 2044.

Fair Value of Financial Instruments - The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments for which it is practicable to estimate that value. The carrying amounts reflected in the condensed consolidated balance sheets for cash and cash equivalents, trade receivables, accounts payable and notes payable approximate their respective fair values due to the short-term maturities of these instruments. The fair value of FMBs and SRF Bonds (collectively, the Bonds) issued by Middlesex is based on quoted market prices for similar publicly traded issues. Under the fair value hierarchy, the fair value of cash and cash equivalents is classified as a Level 1 measurement and the fair value of notes payable and the Bonds in the table below are classified as Level 2 measurements. The carrying amount and fair value of the Bonds were as follows:

	(Thousands of Dollars)			
	September 30, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FMBs	$147,269	$139,285	$98,828	$107,781

It was not practicable to estimate their fair value on our outstanding long-term debt for which there is no quoted market price and there is not an active trading market. For details, including carrying value, interest rates and due dates on these series of long-term debt, please refer to those series noted as “Amortizing Secured Note”, “State Revolving Trust Note”, “State Revolving Trust Bond”, “Construction Loans” on the Condensed Consolidated Statements of Capital Stock and Long-Term Debt). The carrying amount of these instruments was $160.1 million and $212.3 million at September 30, 2022 and December 31, 2021, respectively. Customer advances for construction have carrying amounts of $22.4 million and $23.5 million at September 30, 2022 and December 31, 2021, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

Substantially all of the utility plant of the Company is subject to the lien of its mortgage, which includes debt service and capital ratio covenants. The Company is in compliance with all of its mortgage covenants and restrictions.

Note 4 – Earnings Per Share

Basic earnings per share (EPS) are computed on the basis of the weighted average number of shares outstanding during the period presented. Diluted EPS assumes the conversion of the Convertible Preferred Stock $7.00 Series.

	(In Thousands Except per Share Amounts) Three Months Ended September 30,					
	2022			2021		
Basic:		Income	Shares		Income	Shares
Net Income	$	14,291	17,628	$	11,476	17,491
Preferred Dividend		(30)			(30)	
Earnings Applicable to Common Stock	$	14,261	17,628	$	11,446	17,491
Basic EPS	$	0.81		$	0.65	
Diluted:						
Earnings Applicable to Common Stock	$	14,261	17,628	$	11,446	17,491
$7.00 Series Preferred Dividend		17	115		17	115
Adjusted Earnings Applicable to Common Stock	$	14,278	17,743	$	11,463	17,606
Diluted EPS	$	0.80		$	0.65	

	(In Thousands Except per Share Amounts) Nine Months Ended September 30,					
	2022			2021		
Basic:		Income	Shares		Income	Shares
Net Income	$	35,258	17,583	$	29,305	17,485
Preferred Dividend		(90)			(90)	
Earnings Applicable to Common Stock	$	35,168	17,583	$	29,215	17,485
Basic EPS	$	2.00		$	1.67	
Diluted:						
Earnings Applicable to Common Stock	$	35,168	17,583	$	29,215	17,485
$7.00 Series Preferred Dividend		51	115		50	115
Adjusted Earnings Applicable to Common Stock	$	35,219	17,698	$	29,265	17,600
Diluted EPS	$	1.99		$	1.66	

Note 5 – Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. This segment also includes regulated wastewater systems in New Jersey and Delaware. The Company is subject to regulations as to its rates, services and other matters by New Jersey and Delaware with respect to utility services within these states. The other segment is primarily comprised of non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware. Inter-segment transactions relating to operational costs are treated as pass-through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender.

	(In Thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Operations by Segments:	2022	2021	2022	2021
Revenues:				
Regulated	$ 44,861	$ 37,396	$ 115,222	$ 100,426
Non – Regulated	3,431	2,995	9,316	9,657
Inter-segment Elimination	(560)	(517)	(927)	(966)
Consolidated Revenues	$ 47,732	$ 39,874	$ 123,611	$ 109,117
Operating Income:				
Regulated	$ 15,750	$ 10,654	$ 36,793	$ 24,082
Non – Regulated	825	770	2,393	2,791
Consolidated Operating Income	$ 16,575	$ 11,424	$ 39,186	$ 26,873
Net Income:				
Regulated	$ 13,683	$ 10,924	$ 33,496	$ 27,271
Non – Regulated	608	552	1,762	2,034
Consolidated Net Income	$ 14,291	$ 11,476	$ 35,258	$ 29,305
Capital Expenditures:				
Regulated	$ 26,588	$ 14,743	$ 65,722	$ 61,097
Non – Regulated	8	2	217	148
Total Capital Expenditures	$ 26,596	$ 14,745	$ 65,939	$ 61,245

	As of September 30, 2022	As of December 31, 2021
Assets:		
Regulated	$ 1,066,755	$ 1,022,116
Non – Regulated	6,963	7,811
Inter-segment Elimination	(9,049)	(9,912)
Consolidated Assets	$ 1,064,669	$ 1,020,015

Note 6 – Short-term Borrowings

The Company maintains lines of credit aggregating $140.0 million.

	(Millions) As of September 30, 2022				
	Outstanding	Available	Maximum	Credit Type	Renewal Date
Bank of America	$ 7.0	$ 53.0	$ 60.0	Uncommitted	January 26, 2023
PNC Bank	30.5	37.5	68.0	Committed	January 31, 2024
CoBank	3.0	9.0	12.0	Committed	November 30, 2023
	$ 40.5	$ 99.5	$ 140.0		

The interest rate for borrowings under the Bank of America and PNC Bank lines of credit is set using the Bloomberg Short-Term Bank Yield Index and adding a credit spread, which varies by financial institution. The interest rate for borrowings under the CoBank line of credit are set weekly using CoBank's internal cost of funds index that is similar to the Standard Overnight Financing Rate and adding a credit spread. There is no requirement for a compensating balance under any of the established lines of credit.

The weighted average interest rate on the outstanding borrowings at September 30, 2022 under these credit lines is 3.81%.

The weighted average daily amounts of borrowings outstanding under the Company's lines of credit and the weighted average interest rates on those amounts were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Average Daily Amounts Outstanding	$ 33,750	$ 40,543	$ 22,648	$ 22,841
Weighted Average Interest Rates	3.34%	1.13%	2.48%	1.14%

The maturity dates for the $40.5 million outstanding as of September 30, 2022 are in October 2022 to December 2022, and were or are expected to be extended at the discretion of the Company.

Note 7 – Commitments and Contingent Liabilities

Water Supply - Middlesex has an agreement with the New Jersey Water Supply Authority (NJWSA) for the purchase of untreated water through November 30, 2023, which provides for an average purchase of 27 million gallons a day (mgd). Pricing is set annually by the NJWSA through a public rate making process. The agreement has provisions for additional pricing in the event Middlesex overdrafts or exceeds certain monthly and annual thresholds.

Middlesex has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement, which expires February 27, 2026, provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

Tidewater contracts with the City of Dover, Delaware to purchase 15 million gallons of treated water annually.

Purchased water costs are shown below:

	(In Thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Treated	$ 936	$ 889	$ 2,467	$ 2,641
Untreated	835	841	2,384	2,483
Total Costs	$ 1,771	$ 1,730	$ 4,851	$ 5,124

Guarantees - As part of an agreement with the County of Monmouth, New Jersey (County), prior to 2020 Middlesex had served as guarantor of the performance of an unaffiliated wastewater treatment contractor and partner (Contractor), to operate a County-owned leachate pretreatment facility.

In November 2019, Middlesex was notified that the County terminated its Agreement with the Contractor. The Contractor had initiated legal action against the County that, in part, contests the County's exercise of this termination. The County filed a counter-claim against the Contractor's parent company and has brought Middlesex into the suit as a third-party defendant. Our ongoing monitoring of this litigation has led to the conclusion that we do not anticipate the ultimate outcome will have a material impact, if any, on the Company's results of operations or financial condition.

Leases - The Company determines if an arrangement is a lease at inception. Generally, a lease agreement exists if the Company determines that the arrangement gives the Company control over the use of an identified asset and obtains substantially all of the benefits from the identified asset.

The Company has entered into an operating lease of office space for administrative purposes, expiring in 2030. The Company has not entered into any finance leases. The exercise of a lease renewal option for the Company's administrative offices is solely at the discretion of the Company.

The right-of-use (ROU) asset recorded represents the Company's right to use an underlying asset for the lease term and lease liability represents the Company's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company's operating lease does not provide an implicit discount rate and as such the Company used an estimated incremental borrowing rate (4.03%) based on the information available at the commencement date in determining the present value of lease payments.

Given the impacts of accounting for regulated operations, and the resulting recognition of expense at the amounts recovered in customer rates, expenditures for operating leases are consistent with lease expense and were $0.2 million for each of the three months ended September 30, 2022 and 2021, respectively and $0.6 million for each of the nine months ended September 30, 2022 and 2021, respectively.

Information related to operating lease ROU assets and lease liabilities is as follows:

	(In Millions) As of September 30, 2022	(In Millions) As of December 31, 2021
ROU Asset at Lease Inception	$ 7.3	$ 7.3
Accumulated Amortization	(3.3)	(2.8)
Current ROU Asset	$ 4.0	$ 4.5

The Company's future minimum operating lease commitments as of September 30, 2022 are as follows:

	(In Millions)
2022	$ 0.2
2023	0.8
2024	0.8
2025	0.8
2026	0.9
Thereafter	2.7
Total Lease Payments	$ 6.2
Imputed Interest	(1.6)
Present Value of Lease Payments	4.6
Less Current Portion*	(0.7)
Non-Current Lease Liability	$ 3.9

*Included in Other Current Liabilities

Construction -The Company has forecasted to spend approximately $85 million for its construction program in 2022. The Company has entered into several construction contracts that, in the aggregate, obligate expenditure of an estimated $26 million in the future. The actual amount and timing of capital expenditures is dependent on the need for replacement of existing infrastructure, customer growth, residential new home construction and sales, project scheduling, supply chain issues and continued refinement of project scope and costs and could be impacted if the effects of new variants of COVID-19 pandemic arise and continue for an extended period of time (for further discussion of the impact of COVID-19 on the Company, see *Note 1 - Coronavirus (COVID-19) Pandemic*). There is no assurance that projected customer growth and residential new home construction and sales will occur.

PFOA Matter – In November 2021, the Company was served with two PFOA-related class action lawsuits seeking restitution for medical, water replacement and other related costs and economic damages. These lawsuits are in the early stages of the legal process and their ultimate resolution cannot be predicted at this time. The Company's insurance provider has acknowledged coverage of potential liability resulting from these lawsuits (for further discussion of this matter, see *Note 1 - Regulatory Notice of Non-Compliance*).

Contingencies -Based on our operations in the heavily-regulated water and wastewater industries, the Company is routinely involved in disputes, claims, lawsuits and other regulatory and legal matters, including responsibility for fines and penalties relative to regulatory compliance. At this time, Management does not believe the final resolution of any such matters, whether asserted or unasserted, will have a material adverse effect on the Company's financial position, results of operations or cash flows. In addition, the Company maintains business insurance coverage that may mitigate the effect of any current or future loss contingencies.

Change in Control Agreements - The Company has Change in Control Agreements with certain of its officers that provide compensation and benefits in the event of termination of employment in connection with a change in control of the Company.

Note 8 – Employee Benefit Plans

Pension Benefits - The Company's defined benefit pension plan (Pension Plan) covers all active employees hired prior to April 1, 2007. Employees hired after March 31, 2007 are not eligible to participate in this plan, but do participate in a defined contribution plan that provides for a potential annual contribution in an amount at the discretion of the Company., based upon a percentage of the participants' annual paid compensation. For each of the three- and nine-month periods ended September 30, 2022 and 2021, the Company did not make cash contributions to the Pension Plan. The Company expects to make cash contributions of approximately $3.4 million over the remainder of the current year. The Company also maintains an unfunded supplemental retirement benefit plan for certain active and retired Company officers and currently pays $0.4 million in annual benefits to the retired participants.

Other Postretirement Benefits- – The Company's retirement plan other than pensions (Other Benefits Plan) covers substantially all currently eligible retired employees. Employees hired after March 31, 2007 are not eligible to participate in this plan. Coverage includes healthcare and life insurance. For each of the three- month and nine-month periods ended September 30, 2022 and 2021, the Company did not make cash contributions to its Other Benefits Plan. The Company does not expect to make any cash contributions to its Other Benefits Plan over the remainder of 2022.

The following tables set forth information relating to the Company's periodic costs (benefit) for its employee retirement benefit plans:

	(In Thousands)			
	Pension Benefits		Other Benefits	
	Three Months Ended September 30,			
	2022	2021	2022	2021
Service Cost	$ 591	$ 674	$ 200	$ 229
Interest Cost	761	677	331	309
Expected Return on Assets	(1,760)	(1,556)	(887)	(786)
Amortization of Unrecognized Losses	418	717	-	132
Net Periodic Benefit Cost (Benefit)*	$ 10	$ 512	$ (356)	$ (116)

	(In Thousands)			
	Pension Benefits		Other Benefits	
	Nine Months Ended September 30,			
	2022	2021	2022	2021
Service Cost	$ 1,772	$ 2,022	$ 599	$ 687
Interest Cost	2,282	2,030	994	927
Expected Return on Assets	(5,281)	(4,669)	(2,660)	(2,357)
Amortization of Unrecognized Losses	1,255	2,151	-	396
Net Periodic Benefit Cost (Benefit)*	$ 28	$ 1,534	$ (1,067)	$ (347)

*Service cost is included in Operations and Maintenance expense on the Condensed Consolidated Statements of Income; all other amounts are included in Other Income/Expense, net.

Note 9 – Revenue Recognition from Contracts with Customers

The Company's revenues are primarily generated from regulated tariff-based sales of water and wastewater services and non-regulated operation and maintenance contracts for services on water and wastewater systems owned by others. Revenue from contracts with customers is recognized when control of a promised good or service is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The Company's regulated revenue from contracts with customers results from tariff-based sales from the provision of water and wastewater services to residential, industrial, commercial, fire-protection and wholesale customers. Residential customers are billed quarterly while most industrial, commercial, fire-protection and wholesale customers are billed monthly. Payments by customers are due between 15 and 30 days after the invoice date. Revenue is recognized as the water and wastewater services are delivered to customers as well as from accrual of unbilled revenues estimated from the last meter reading date to the end of the accounting period utilizing factors such as historical customer data, regional weather indicators and general economic conditions in the relevant service territories. Unearned Revenues and Advance Service Fees include fixed service charge billings in advance to Tidewater customers recognized as service is provided to the customer.

Non-regulated service contract revenues consist of base service fees, as well as fees for additional billable services provided to customers. Fees are billed monthly and are due within 30 days after the invoice date. The Company considers the amounts billed to represent the value of these services provided to customers. These contracts expire at various times through June 2032 and contain remaining performance obligations for which the Company expects to recognize revenue in the future. These contracts also contain termination provisions.

Substantially all of the amounts included in operating revenues and accounts receivable are from contracts with customers. The Company records its allowance for doubtful accounts based on historical write-offs combined with an evaluation of current economic conditions within its service territories.

The Company's contracts do not contain any significant financing components.

The Company’s operating revenues are comprised of the following:

	(In Thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Regulated Tariff Sales				
Residential	$ 25,108	$ 22,517	$ 65,767	$ 59,711
Commercial	7,167	4,903	16,796	12,587
Industrial	3,208	2,538	8,504	6,858
Fire Protection	3,248	3,171	9,541	9,436
Wholesale	5,644	3,822	13,905	11,079
Non-Regulated Contract Operations	3,321	2,888	8,986	9,336
Total Revenue from Contracts with Customers	$ 47,696	$ 39,839	$ 123,499	$ 109,007
Other Regulated Revenues	486	445	709	755
Other Non-Regulated Revenues	110	107	330	321
Inter-segment Elimination	(560)	(517)	(927)	(966)
Total Revenue	$ 47,732	$ 39,874	$ 123,611	$ 109,117

Note 10 – Income Taxes

The Company’s federal income tax returns for the tax years 2014 through 2017 were selected for examination by the Internal Revenue Service (IRS), which included the tax year in which the Company had adopted the final IRS tangible property regulations and changed its accounting method for the tax treatment of expenditures that qualified as deductible repairs. As a result of the audit examination, the Company agreed to certain modifications of its accounting method for expenditures that qualify as deductible repairs. In 2019, the Company paid $2.7 million in income taxes and $0.1 million in interest in connection with the conclusion of the 2014 through 2017 federal income tax return audits. The statutory review period for 2018 and prior federal income tax returns has now closed, and as such, in the third quarter of 2022 the Company reversed the income tax reserve provision and interest expense liability of $0.5 million and $0.2 million, respectively.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of Middlesex Water Company (Middlesex or the Company) included elsewhere herein and with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Forward-Looking Statements

Certain statements contained in this periodic report and in the documents incorporated by reference constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The Company intends that these statements be covered by the safe harbors created under those laws. They include, but are not limited to statements as to:

- expected financial condition, performance, prospects and earnings of the Company;
- strategic plans for growth;
- the amount and timing of rate increases and other regulatory matters, including the recovery of certain costs recorded as regulatory assets;
- the Company’s expected liquidity needs during the upcoming fiscal year and beyond and the sources and availability of funds to meet its liquidity needs;
- expected customer rates, consumption volumes, service fees, revenues, margins, expenses and operating results;
- financial projections;
- the expected amount of cash contributions to fund the Company’s retirement benefit plans, anticipated discount rates and rates of return on plan assets;
- the ability of the Company to pay dividends;
- the Company’s compliance with environmental laws and regulations and estimations of the materiality of any related costs;
- the safety and reliability of the Company’s equipment, facilities and operations;
- the Company’s plans to renew municipal franchises and consents in the territories it serves;
- trends; and
- the availability and quality of our water supply.

These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ materially from anticipated results and outcomes include, but are not limited to:

- effects of general economic conditions;
- increases in competition for growth in non-franchised markets to be potentially served by the Company;
- ability of the Company to adequately control selected operating expenses which are necessary to maintain safe and proper utility services, and which may be beyond the Company’s control;
- availability of adequate supplies of quality water;
- actions taken by government regulators, including decisions on rate increase requests;
- new or modified water quality standards and compliance with related legal and regulatory requirements;
- weather variations and other natural phenomena impacting utility operations;
- financial and operating risks associated with acquisitions and/or privatizations;
- acts of war or terrorism;
- cyber-attacks;
- changes in the pace of new housing development;
- availability and cost of capital resources;

- timely availability of materials and supplies for operations and critical infrastructure projects;
- impact of the Novel Coronavirus (COVID-19) pandemic; and
- other factors discussed elsewhere in this report.

Many of these factors are beyond the Company's ability to control or predict. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements, which only speak to the Company's understanding as of the date of this report. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

For an additional discussion of factors that may affect the Company's business and results of operations, see Item 1A. - Risk Factors in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Overview

Middlesex Water Company (Middlesex or the Company) has operated as a water utility in New Jersey since 1897 and in Delaware through our wholly-owned subsidiary, Tidewater Utilities, Inc. (Tidewater), since 1992. We are in the business of collecting, treating and distributing water for domestic, commercial, municipal, industrial and fire protection purposes. We operate water and wastewater systems under contract for governmental entities and private entities primarily in New Jersey and Delaware and provide regulated wastewater services in New Jersey. We are regulated by state public utility commissions as to rates charged to customers for water and wastewater services, as to the quality of water and wastewater service we provide and as to certain other matters in the states in which our regulated subsidiaries operate. Only our Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy), Inc. (USA-PA) and White Marsh Environmental Services, Inc. (White Marsh) subsidiaries are not regulated public utilities as related to rates and services quality. All municipal or commercial entities whose utility operations are managed by these entities however, are subject to environmental regulation at the federal and state levels.

Our principal New Jersey water utility system (the Middlesex System) provides water services to approximately 61,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water sales under contract to municipalities in central New Jersey with a total population of over 0.2 million. Our Bayview subsidiary provides water services in Downe Township, New Jersey. Our other New Jersey subsidiaries, Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands) provide water and wastewater services to approximately 2,500 customers in Southampton Township, New Jersey.

Our Delaware subsidiaries, Tidewater and Southern Shores Water Company, LLC, provide water services to approximately 57,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Tidewater's subsidiary, White Marsh, services approximately 6,200 customers in Kent and Sussex Counties through various operations and maintenance contracts.

USA-PA operates the water and wastewater systems for the City of Perth Amboy, New Jersey (Perth Amboy) under a 10-year operations and maintenance contract expiring in 2028. In addition to performing day-to day operations, USA-PA is also responsible for emergency response and management of capital projects funded by Perth Amboy.

USA operates the Borough of Avalon, New Jersey's (Avalon) water utility, sewer utility and storm water system under a ten-year operations and maintenance contract expiring in August 2032 (for further discussion of USA's recent renewal of its operations and maintenance contract with Avalon, see "*Recent Developments-Avalon Contract Renewal*" below). USA also operates the Borough of Highland Park, New Jersey's (Highland Park) water and wastewater systems under a 10-year operations and maintenance contract expiring in June 2030. These contracts also require USA to manage capital projects funded by Avalon and Highland Park.

Under a marketing agreement with HomeServe USA (HomeServe) expiring in 2031, USA offers residential customers in New Jersey and Delaware water and wastewater related services and home maintenance programs. HomeServe is a leading national provider of such home maintenance service programs. USA receives a service fee for the billing, cash collection and other administrative functions associated with HomeServe's service contracts.

Recent Developments

Capital Construction Program - The Company's multi-year capital construction program encompasses numerous projects designed to upgrade and replace utility infrastructure as well as enhance the integrity and reliability of assets to maintain and improve service for the current and future generations of water and wastewater customers. The Company plans to invest approximately $85 million in 2022 in connection with projects that include, but are not limited to:

- New facility to provide an enhanced treatment process at the Company's largest New Jersey wellfield in South Plainfield to comply with new state water quality regulations relative to poly- and perfluoroalkyl substances, collectively referred to as PFAS, and integrate surge protection to mitigate spikes in water pressures along with enhancements to corrosion control and disinfection processes;
- Replacement of approximately six miles of water mains including full main and service line replacements, meter pit installations and fire hydrant replacements in the Township of Woodbridge, New Jersey;
- Two new elevated water storage tanks in our Tidewater service territory; and
- Various other water main replacements and improvements.

The actual amount and timing of capital expenditures is dependent on project scheduling and refinement of engineering estimates for certain capital projects.

Regulatory Notice of Non-Compliance – In September 2021, the New Jersey Department of Environmental Protection (NJDEP) issued a Notice of Non-Compliance (Notice) to Middlesex based on self-reporting by Middlesex that the level of Perfluorooctanoic Acid (PFOA) in water treated at its Park Avenue Wellfield Treatment Plant in South Plainfield, New Jersey exceeded a recently promulgated NJDEP standard effective in 2021. The NJDEP standard for PFOA was developed based on a Health-based Maximum Contaminant Level of 14 parts per trillion. Neither the NJDEP nor Middlesex has characterized this exceedance as an acute health threat. However, Middlesex was required to notify its affected customers and complied in November 2021 as required by the regulation.

The Notice further required the Company to take any action necessary to comply with the new standard by September 7, 2022. The Company began construction of an enhanced treatment process at the Park Avenue Wellfield Treatment Plant to comply with the new standard prior to the regulation being enacted. Since completion is not expected until mid-2023, in December 2021, the Company implemented an interim solution to meet the Notice requirements. The Park Avenue Wellfield Treatment Plant was taken off-line and alternate sources of supply have been obtained. Simultaneously, the Company accelerated a portion of the enhanced treatment project to allow a restart of the Park Avenue Wellfield treatment Plant ahead of historical higher water demand periods during the summer months.

In June 2022, construction of the accelerated portion was completed and the Park Avenue Wellfield Treatment Plant is effectively treating ground water to ensure compliance with all state and federal drinking water standards. Working in coordination with the NJDEP, the Company successfully restarted the Park Avenue Wellfield Treatement Plant and introduced wellfield water into the distribution system. Water being delivered to customers is in compliance with all United States Environmental Protection Agency and NJDEP drinking water standards, including the newly established water quality standard for PFOA.

On September 13, 2022, the Company entered into an Administrative Consent Order (ACO) with the NJDEP, which requires the Company to take whatever actions are necessary to achieve and maintain compliance with the Safe Drinking Water Act, N.J.S.A, 58:12A-1 et seq., and the Safe Drinking Water Act regulations N.J.A.C. 7:10-1 et seq., including applicable public notifications. The Company's agreement to enter into an ACO avoided any further Notice regarding the fact that the permanent treatment solution was not in service by September 7, 2022.

The Company must issue the public notifications by February 22, 2023 and continue to complete and distribute public information as prescribed in the ACO. In addition, in accordance with the ACO:

- On or before June 30, 2023, the Company shall complete the permanent construction of the Park Avenue Wellfield treatment upgrades, place the treatment upgrades into operation, and all water at the Park Avenue Wellfield Treatment Plant shall be treated to comply with the PFOA NJDEP standards.

- The Company must perform required sample testing and reporting for PFOA subsequent to completion of the Park Avenue Wellfield treatment upgrades.

- The Company shall submit to the NJDEP quarterly progress reports detailing the Company's compliance with the ACO.

The Company's failure to comply with the compliance schedule and/or progress reporting requirements of the ACO could lead to penalties up to $500 per day. In addition, the NJDEP could penalize the Company for other violations, if any, of the ACO.

In November 2021, the Company was served with two PFOA-related class action lawsuits seeking restitution for medical, water replacement and other claimed related costs. These lawsuits are in the early stages of the legal process and their ultimate resolution cannot be predicted at this time. The Company's insurance provider has acknowledged coverage of potential liability which may result from these lawsuits. In May 2022, the Company impleaded 3M Company (3M) as a third-party defendant in one of these class action lawsuits. The Company has taken this action in addition to a separate lawsuit the Company initiated against 3M seeking to hold 3M accountable for introduction of perfluoroalkyl substances, which include PFOA, into the Company's water supply at its Park Avenue Wellfield facility.

In January 2022, the Company filed a petition with the New Jersey Board of Public Utilities (NJBPU) seeking to establish a regulatory asset and deferred accounting treatment until its next base rate setting proceeding for all costs associated with the interim solution to comply with the Notice. The Company is currently awaiting a decision on this matter from the NJBPU.

Sale of Subsidiary – In January 2022, Middlesex closed on the Delaware Public Service Commission (DEPSC) approved sale of 100% of the common stock of its subsidiary Tidewater Environmental Services, Inc. to Artesian Wastewater Management, Inc. for $6.4 million in cash and other consideration, resulting in a $5.2 million pre-tax gain. The Company will continue to own and operate its non-regulated water and wastewater contract operations business in Delaware.

Avalon Contract Renewal – In August 2022, USA, Middlesex's non-regulated subsidiary, was awarded a competitively-bid 10-year operations and maintenance contract with Avalon under which USA will continue to operate Avalon's water utility, sewer utility and storm water system. USA is also required to manage capital projects funded by Avalon. USA previously operated Avalon's systems under a 10-year contract that expired in August 2022. The new contract commenced September 1, 2022.

Rate and Regulatory Matters

Middlesex – In December 2021, Middlesex's petition to the NJBPU seeking permission to increase its base water rates was concluded, based on a negotiated settlement, resulting in an expected increase in annual operating revenues of $27.7 million. The approved tariff rates were designed to recover increased operating costs as well as a return on invested capital of $513.5 million, based on an authorized return on common equity of 9.6%. The increase is being implemented in two phases with $20.7 million of the increase effective January 1, 2022 and the remaining $7.0 million effective January 1, 2023. As part of the negotiated settlement, the Purchased Water Adjustment Clause (PWAC), which is a rate mechanism that allows for recovery of increased purchased water costs between base rate case filings, was reset to zero.

In September 2022, the NJBPU approved Middlesex's Emergency Relief Motion to reset its PWAC tariff rate to recover additional costs of $2.7 million for the purchase of treated water from a non-affiliated regulated water utility. The increase, effective October 1, 2022, is on an interim basis and subject to refund with interest pending final resolution of this matter.

Tidewater – On August 31, 2022, the DEPSC issued an Order requiring Tidewater to reduce its base rates charged to general metered and private fire customers by 6%, effective for service rendered on and after September 1, 2022. In June 2022, the Delaware Division of the Public Advocate filed a petition with the DEPSC requesting that Tidewater’s rates be reduced based on the claim that Tidewater had been earning above its authorized rate of return. The rate reduction is expected to reduce annual revenues by approximately $2.2 million.

In June 2022, Tidewater notified the DEPSC of its intention to file for a base water rate increase in the first quarter of 2023 based on projected increases in operational expenses and capital construction expenditures.

Pinelands - In September 2022, Pinelands Water and Pinelands Wastewater filed separate petitions with the NJBPU seeking permission to increase base rates by approximately $0.6 million and $0.4 million per year, respectively. These requests were necessitated by capital infrastructure investments both companies have made, or have committed to make, and increased operations and maintenance costs. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the requests. A decision by the NJBPU in either matter is not expected before the first quarter of 2023.

COVID-19 – On October 13, 2022, the United States Secretary of Health and Human Services renewed the determination that a nationwide health emergency exists as a result of the COVID-19 Pandemic. While the Company’s operations and capital construction program have not been materially disrupted to-date from the pandemic, the COVID-19 impact on economic conditions nationally continues to be uncertain and could affect the Company’s results of operations, financial condition and liquidity in the future. In New Jersey, the declared COVID-19 State of Emergency ended in March 2022. In Delaware, the declared COVID-19 State of Emergency Order ended in July 2021.

The NJBPU and the DEPSC have approved the tracking of COVID-19 related incremental costs for potential recovery in customer rates in future rate proceedings. Neither jurisdiction has established a timetable or definitive formal procedures for seeking cost recovery. Since March 2020, the Company has increased its allowance for doubtful accounts for expected increases in accounts receivable write-offs due to the financial impact of COVID-19 on customers. We will continue to monitor the effects of COVID-19 and evaluate its impact on the Company’s business, results of operations, financial condition and liquidity.

Outlook

Our ability to increase operating income and net income is based significantly on four factors: weather, adequate and timely rate relief, effective cost management and customer growth. These factors are discussed in the Results of Operations section below. Unfavorable weather patterns may occur at any time, which can result in lower customer demand for water. Due to an extended period of dry and high temperature weather conditions in New Jersey, on July 21, 2022, the Company issued a request to its customers located in our Middlesex system located in central New Jersey to voluntarily limit non-essential water use until further notice.

The DEPSC issued an Order requiring Tidewater to reduce its base rates charged to general metered and private fire customers by 6% (for further discussion of the impact of this on the Company, see *Rate and Regulatory Matters, Tidewater* above). Our investments in system infrastructure continue to grow significantly and our operating costs are anticipated to increase in 2022 and 2023 in a variety of categories. These factors, among others, resulted in Pinelands filing for base rate increases in September 2022, will require Tidewater to file for a base rate increase in the first quarter of 2023 and may require the need to file for an additional base rate increase for Middlesex in 2023.

An additional factor that we continue to actively monitor is the impact of new variants of COVID-19 on the general economy, our suppliers and our workforce (for further discussion of the impact of COVID-19 on the Company, see "*Recent Developments-COVID-19*" above).

Overall, organic residential customer growth continues in our Tidewater system but is expected to be impacted by the current and evolving economic market conditions. Builders and developers are already experiencing longer home sales closing cycles due to supply chain issues, which may be further affected by inflationary trends and the government's plan to address it through interest rates.

The Company has projected to spend approximately $230 million for the 2022-2024 capital investment program, including approximately $47 million for PFAS-related treatment upgrades in the Middlesex System, $32 million on the RENEW Program, which is our ongoing initiative to replace water mains in the Middlesex System, $15 million for construction of elevated storage tanks in our Tidewater and Middlesex Systems and $4 million for the rehabilitation and other improvements associated with Middlesex's primary field operations and inventory facilities.

Our strategy for profitable growth is focused on the following key areas:

- Invest in projects, products and services that complement our core water and wastewater competencies;
- Timely and adequate recovery of infrastructure investments and other costs to maintain service quality;
- Prudent acquisitions of investor and municipally-owned water and wastewater utilities; and
- Operation of municipal and industrial water and wastewater systems on a contract basis which meet our risk profile.

Operating Results by Segment

The discussion of the Company's operating results is on a consolidated basis and includes significant factors by subsidiary. The Company has two operating segments, Regulated and Non-Regulated. The operations of the Regulated segment are subject to regulations promulgated by state public utility commissions as to rates and level of service. Rates and level of service in the Non-Regulated segment are subject to the terms of individually-negotiated and executed contracts with municipal, industrial and other clients. Both segments are subject to federal and state environmental, water and wastewater quality and other associated legal and regulatory requirements.

The segments in the tables included below consist of the following companies: Regulated-Middlesex, Tidewater, Pinelands and Southern Shores; Non-Regulated-USA, USA-PA, and White Marsh.

Results of Operations – Three Months Ended September 30, 2022

	(In Thousands) Three Months Ended September 30,					
	2022			2021		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$ 44,411	$ 3,321	$ 47,732	$ 36,986	$ 2,888	$ 39,874
Operations and maintenance expenses	17,935	2,377	20,312	16,952	1,998	18,950
Depreciation expense	5,754	60	5,814	5,445	59	5,504
Other taxes	4,972	59	5,031	3,935	61	3,996
Operating income	15,750	825	16,575	10,654	770	11,424
Other income, net	1,967	72	2,039	1,043	45	1,088
Interest expense	2,355	—	2,355	2,101	—	2,101
Income taxes	1,679	289	1,968	(1,328)	263	(1,065)
Net income	$ 13,683	$ 608	$ 14,291	$ 10,924	$ 552	$ 11,476

Operating Revenues

Operating revenues for the three months ended September 30, 2022 increased $7.9 million from the same period in 2021 due to the following factors:

- Middlesex System revenues increased $7.6 million due to its approved base rate increase effective January 1, 2022 and higher weather-driven customer demand (for further discussion of Middlesex's base rate increase, see "*Rate and Regulatory Matters-Middlesex*" above);
- Tidewater System revenues increased $0.6 million due to additional customers and higher weather-driven customer demand partially offset by a 6% rate reduction effective September 1, 2022 (for further discussion of Tidewater's rate reduction, see "*Rate and Regulatory Matters-Tidewater*" above);
- The sale of our regulated Delaware wastewater subsidiary in January 2022 reduced revenues by $0.7 million (for further discussion of the sale of our regulated Delaware wastewater subsidiary, see "*Recent Developments-Sale of Subsidiary*" above); and
- Non-regulated revenues increased $0.4 million primarily due to higher supplemental contract services.

Operation and Maintenance Expense

Operation and maintenance expenses for the three months ended September 30, 2022 increased $1.4 million from the same period in 2021 due to the following factors:

- Higher main break activity in our Middlesex system resulted in $0.2 million of additional non-labor costs;
- Labor costs increased $0.5 million due to wage increases;
- Costs for employee benefits increased $0.2 million due to higher health insurance premiums;
- Billable supplemental contract service expenses in our non-regulated subsidiaries increased $0.3 million (see corresponding increase in operating revenues above);
- Transportation costs increased $0.1 million due to higher fuel prices; and
- All other operation and maintenance expense categories increased $0.1 million.

Depreciation

Depreciation expense for the three months ended September 30, 2022 increased $0.3 million from the same period in 2021 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the three months ended September 30, 2022 increased $1.0 million from the same period in 2021 primarily due to higher revenue related taxes on increased revenues in our Middlesex system.

Other Income, net

Other Income, net for the three months ended September 30, 2022 increased $1.0 million from the same period in 2021 due primarily to higher actuarially-determined retirement benefit plans non-service benefit and higher Allowance for Funds Used During Construction (AFUDC) resulting from a higher level of capital projects in progress.

Interest Charges

Interest charges for the three months ended September 30, 2022 increased $0.3 million from the same period in 2021 due to higher average long-term debt outstanding and higher average interest rates in 2022 as compared to 2021.

Income Taxes

Income taxes for the three months ended September 30, 2022 increased by $3.0 million from the same period in 2021, primarily due to higher pre-tax income and the expiration of income tax benefits associated with the adoption of Internal Revenue Service ("IRS") tangible property regulations as Middlesex was required by the NJBPU to account for the benefit of adopting these regulations over 48 months beginning in 2018.

Net Income and Earnings Per Share

Net income for the three months ended September 30, 2022 increase $2.8 million as compared with the same period in 2021. Basic earnings per share were $0.81 and $0.65 for the three months ended September 30, 2022 and 2021, respectively. Diluted earnings per share were $0.80 and $0.65 for the three months ended September 30, 2022 and 2021, respectively.

Results of Operations – Nine Months Ended September 30, 2022

	(In Thousands) Nine Months Ended September 30,					
	2022			2021		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$ 114,625	$ 8,986	$ 123,611	$ 99,781	$ 9,336	$ 109,117
Operations and maintenance expenses	52,780	6,227	59,007	49,077	6,188	55,265
Depreciation expense	16,925	182	17,107	15,354	169	15,523
Other taxes	13,359	184	13,543	11,268	188	11,456
Gain on Sale of Subsidiary	5,232	—	5,232	—	—	—
Operating income	36,793	2,393	39,186	24,082	2,791	26,873
Other income, net	5,531	207	5,738	4,512	172	4,684
Interest expense	6,575	(1)	6,574	5,910	—	5,910
Income taxes	2,253	839	3,092	(4,587)	929	(3,658)
Net income	$ 33,496	$ 1,762	$ 35,258	$ 27,271	$ 2,034	$ 29,305

Operating Revenues

Operating revenues for the nine months ended September 30, 2022 increased $14.5 million from the same period in 2021 due to the following factors:

- Middlesex System revenues increased $15.7 million due to its approved base rate increase effective January 1, 2022 and higher weather driven demand from customers (for further discussion of Middlesex's base rate increase, see "*Rate and Regulatory Matters-Middlesex*" above);
- Tidewater System revenues increased $1.2 million due to additional customers and a one-time customer credit issued in the first quarter of 2021 partially offset by a 6% rate reduction effective September 1, 2022 (for further discussion of Tidewater's rate reduction, see "*Rate and Regulatory Matters-Tidewater*" above);
- The sale of our regulated Delaware wastewater subsidiary in January 2022 reduced revenues by $2.0 million (for further discussion of the sale of our regulated Delaware wastewater subsidiary, see "*Recent Developments-Sale of Subsidiary*" above); and
- Non-regulated revenues decreased $0.4 million due to lower supplemental contract services.

Operation and Maintenance Expense

Operation and maintenance expenses for the nine months ended September 30, 2022 increased $3.7 million from the same period in 2021 due to the following factors:

- Higher weather-related main break activity in our Middlesex system during the winter months resulted in $0.5 million of additional non-labor costs;
- Labor costs also increased by $1.2 million due to wage increases;
- Costs for employee benefits increased $0.9 million due to market fluctuations in the cash surrender value of life insurance policies and higher health insurance premiums;
- Variable production costs increased $0.2 million primarily due to weather-driven changes in water quality and higher chemical prices;
- Costs associated with the NJDEP PFOA customer notification process resulted in $0.2 million of additional expense (for further discussion of the NJDEP PFOA Notice, see "*Recent Developments-Regulatory Notice of Non-Compliance*" above);
- Transportation costs increased $0.2 million due to higher fuel prices; and
- All other operation and maintenance expense categories increased $0.5 million.

Depreciation

Depreciation expense for the nine months ended September 30, 2022 increased $1.6 million from the same period in 2021 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the nine months ended September 30, 2022 increased $2.1 million from the same period in 2021 primarily due to higher revenue related taxes on increased revenues in our Middlesex system.

Gain on Sale of Subsidiary

Middlesex recognized a $5.2 million gain on the sale of its regulated Delaware wastewater subsidiary in January 2022.

Other Income, net

Other Income, net for the nine months ended September 30, 2022 increased $1.1 million from the same period in 2021 primarily due to higher actuarially-determined retirement benefit plans non-service benefit partially offset by lower AFUDC resulting from a reduced level of capital projects in progress.

Interest Charges

Interest charges for the nine months ended September 30, 2022 increased $0.7 million from the same period in 2021 due to higher average long-term outstanding and higher average interest rates in 2022 as compared to 2021.

Income Taxes

Income taxes for the nine months ended September 30, 2022 increased by $6.8 million from the same period in 2021, primarily due to income taxes on the gain on the sale of a subsidiary, higher pre-tax operating income and the expiration of income tax benefits associated with the adoption of IRS tangible property regulations as Middlesex was required by the NJBPU to account for the benefit of adopting these regulations over 48 months beginning in 2018. Partially offsetting these increases were greater income tax benefits associated with increased repair expenditures on tangible property in the Middlesex system.

Net Income and Earnings Per Share

Net income for the nine months ended September 30, 2022 increased $6.0 million as compared with the same period in 2021. Basic earnings per share were $2.00 and $1.67 for the nine months ended September 30, 2022 and 2021, respectively. Diluted earnings per share were $1.99 and $1.66 for the nine months ended September 30, 2022 and 2021, respectively.

Liquidity and Capital Resources

Operating Cash Flows

Cash flows from operations are largely based on four factors: weather, adequate and timely rate increases, effective cost management and customer growth. The effect of those factors on net income is discussed in “Results of Operations.”

Operating Cash Flows

For the nine months ended September 30, 2022, cash flows from operating activities increased $25.6 million to $44.2 million. The increase in cash flows from operating activities primarily resulted from higher operating revenues from Middlesex’s January 1, 2022 rate increase and the timing of payments to vendors.

Investing Cash Flows

For the nine months ended September 30, 2022, cash flows used in investing activities increased $1.6 million to $62.8 million. The increase in cash flows used in investing activities resulted from increased utility plant expenditures partially offset by cash received from the sale of Middlesex’s regulated wastewater subsidiary in January 2022.

For further discussion on the Company’s future capital expenditures and expected funding sources, see “*Capital Expenditures and Commitments*” below.

Financing Cash Flows

For the nine months ended September 30, 2022, cash flows from financing activities decreased $19.5 million to $18.0 million. The decrease in cash flows provided by financing activities is due to a reduction in net short-term bank borrowings and lower net customer advances and contributions partially offset by increased proceeds from the issuance of common stock under the Middlesex Water Company Investment Plan (the Investment Plan).

Capital Expenditures and Commitments

To fund our capital program, we use internally generated funds, short-term and long-term debt borrowings, proceeds from sales of common stock under the Investment Plan and proceeds from sales offerings to the public of our common stock. See below for a more detailed discussion regarding the funding of our capital program.

The capital investment program for 2022 is currently estimated to be approximately $85 million. Through September 30, 2022 we have expended $65.9 million and expect to incur approximately $19 million for capital projects for the remainder of 2022.

We currently project that we may expend approximately $145 million for capital projects in 2023 and 2024. The actual amount and timing of capital expenditures is dependent on the need for replacement of existing infrastructure, customer growth, residential new home construction and sales, project scheduling and continued refinement of project scope and costs and, could be impacted if new variants of the COVID-19 pandemic arise and continue for an extended period of time.

To pay for our capital program for the remainder of 2022, we plan on utilizing some or all of the following:

- Internally generated funds;
- Short-term borrowings, as needed, through $140 million of lines of credit established with three financial institutions. As of September 30, 2022, there was $99.5 million of available credit under these lines (for further discussion on Company lines of credit, see *Note 6 – Short Term Borrowings*);
- Proceeds from the Delaware State Revolving Fund (SRF). SRF programs provide low cost financing for projects that meet certain water quality-related and system improvement criteria; and
- Proceeds from long-term borrowing arrangements; and
- Proceeds from the Investment Plan.

In order to fully fund the ongoing large investment program in our utility plant infrastructure and maintain a balanced capital structure for a regulated water utility, Middlesex may offer for sale additional shares of its common stock. The amount, the timing and the sales method of the common stock is dependent on the timing of the construction expenditures, the level of additional debt financing and financial market conditions.

Recent Accounting Pronouncements – See Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements and guidance.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

We are exposed to market risk associated with changes in interest rates and commodity prices. The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company’s interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have final maturity dates ranging from 2023 to 2059. Over the next twelve months, approximately $7.6 million of the current portion of existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings, would not have a material effect on our earnings.

Our risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the ability to recover price increases through rates charged to the Company’s regulated utility customers. Non-performance by these commodity suppliers could have a material adverse impact on our results of operations, financial position and cash flows.

We are exposed to credit risk for both our Regulated and Non-Regulated business segments. Our Regulated operations serve residential, commercial, industrial and municipal customers while our Non-Regulated operations engage in business activities with developers, government entities and other customers. Our primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. Our credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. Our credit portfolio is diversified with no significant customer or industry concentrations. In addition, our Regulated businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through customers’ rates.

The Company's retirement benefit plan assets are subject to fluctuating market prices of debt and equity securities. Changes to the Company's retirement benefit plan asset values can impact the Company's retirement benefit plan expense, funded status and future minimum funding requirements. Risk is mitigated by our ability to recover retirement benefit plan costs through rates for regulated utility services charged to our customers.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities and Exchange Act of 1934 (the Exchange Act), an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures was conducted by the Company’s Chief Executive Officer along with the Company’s Chief Financial Officer. Based upon that evaluation, the Company’s Chief Executive Officer and the Company’s Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective as of the end of the period covered by this Report. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company’s Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding disclosure.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The following information updates and amends the information provided in the Company's Annual Report on Form 10-K (the Form 10-K) for the year ended December 31, 2021 in Part I, Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K.

PFOA Regulatory Notice of Non-Compliance

Vera et al. v. Middlesex Water Company – On April 21, 2022, the Judge granted Vera's Motion for Class Certification and granted in part and denied in part Middlesex's Motion to Dismiss. On May 4, 2022, the Company impleaded 3M Company (3M) as a third-party defendant in this lawsuit. The Company has taken this action in addition to a separate lawsuit the Company initiated against 3M seeking to hold 3M accountable for introduction of perfluoroalkyl substances, which include PFOA, into the Company's water supply at its Park Avenue Wellfield facility. On July 6, 2022, the Company filed a Motion to Remove this case from New Jersey Superior Court to the United States District Court for the District of New Jersey. Vera is currently challenging Middlesex's Motion To Remove at the U.S. District Court for the District of New Jersey in an attempt to remand the case back to the Superior Court of New Jersey.

Lonsk et al. v. Middlesex Water Company and 3M Company - On March 4, 2022, Middlesex filed a Motion to Dismiss Plaintiffs' complaint. On April 15, 2022, Plaintiffs filed an Amended Complaint. On July 7, 2022, this case was reassigned to a new trial judge at the United States District Court for the District of New Jersey. Motions To Dismiss and Answers to Plaintiffs' Amended Complaint to be filed on rescheduling from the newly assigned judge.

Item 1A. Risk Factors

The information about risk factors does not differ materially from those set forth in Part I, Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Section 302 Certification by Dennis W. Doll pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
31.2	Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
32.1	Section 906 Certification by Dennis W. Doll pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.2	Section 906 Certification by A. Bruce O'Connor pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MIDDLESEX WATER COMPANY

By: /s/A. Bruce O'Connor
A. Bruce O'Connor
Senior Vice President, Treasurer and
Chief Financial Officer
(Principal Accounting Officer)

Date: October 28, 2022

Exhibit 31.1

**SECTION 302 CERTIFICATION PURSUANT TO RULES 13a-14
AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Dennis W. Doll, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Middlesex Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have;

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dennis W. Doll
Dennis W. Doll
Chief Executive Officer

Date: October 28, 2022

Exhibit 31.2

SECTION 302 CERTIFICATION PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934

I, A. Bruce O'Connor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Middlesex Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have;

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ A. Bruce O'Connor
A. Bruce O'Connor
Chief Financial Officer

Date: October 28, 2022

Exhibit 32.1

SECTION 906 CERTIFICATION PURSUANT TO 18 U.S.C. §1350

I, Dennis W. Doll, hereby certify that, to the best of my knowledge, the periodic report being filed herewith containing financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)) and that information contained in said periodic report fairly presents, in all material respects, the financial condition and results of operations of Middlesex Water Company for the period covered by said periodic report.

/s/ Dennis W. Doll
Dennis W. Doll
Chief Executive Officer

Date: October 28, 2022

A signed original of this written statement required by Section 906 has been provided to Middlesex Water Company and will be retained by Middlesex Water Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

SECTION 906 CERTIFICATION PURSUANT TO 18 U.S.C. §1350

I, A. Bruce O'Connor, hereby certify that, to the best of my knowledge, the periodic report being filed herewith containing financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)) and that information contained in said periodic report fairly presents, in all material respects, the financial condition and results of operations of Middlesex Water Company for the period covered by said periodic report.

/s/ A. Bruce O'Connor
A. Bruce O'Connor
Chief Financial Officer

Date: October 28, 2022

A signed original of this written statement required by Section 906 has been provided to Middlesex Water Company and will be retained by Middlesex Water Company and furnished to the Securities and Exchange Commission or its staff upon request.