

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 March 31, 2009

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**  
(State of incorporation)

**22-1114430**  
(IRS employer identification no.)

**1500 Ronson Road, Iselin, NJ 08830**  
(Address of principal executive offices, including zip code)

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

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 or a smaller reporting company.  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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 May 8, 2009: Common Stock, No Par Value: 13,429,080 shares outstanding.

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

|  | Three Months Ended March 31, |           |
|--|------------------------------|-----------|
|  | 2009                         | 2008      |
| Operating Revenues                           | \$ 20,583                    | \$ 20,855 |
| Operating Expenses:                          |                              |           |
| Operations                                   | 11,855                       | 11,102    |
| Maintenance                                  | 1,188                        | 996       |
| Depreciation                                 | 2,086                        | 1,931     |
| Other Taxes                                  | 2,452                        | 2,479     |
| Total Operating Expenses                     | 17,581                       | 16,508    |
| Operating Income                             | 3,002                        | 4,347     |
| Other Income (Expense):                      |                              |           |
| Allowance for Funds Used During Construction | 241                          | 103       |
| Other Income                                 | 178                          | 241       |
| Other Expense                                | (10)                         | (46)      |
| Total Other Income, net                      | 409                          | 298       |
| Interest Charges                             | 1,392                        | 1,517     |
| Income before Income Taxes                   | 2,019                        | 3,128     |
| Income Taxes                                 | 658                          | 1,124     |
| Net Income                                   | 1,361                        | 2,004     |
| Preferred Stock Dividend Requirements        | 52                           | 62        |
| Earnings Applicable to Common Stock          | \$ 1,309                     | \$ 1,942  |
| Earnings per share of Common Stock:          |                              |           |
| Basic  | \$ 0.10                      | \$ 0.15   |
| Diluted                                      | \$ 0.10                      | \$ 0.15   |
| Average Number of Common Shares Outstanding: |                              |           |
| Basic  | 13,413                       | 13,254    |
| Diluted                                      | 13,676                       | 13,585    |
| Cash Dividends Paid per Common Share         | \$ 0.1775                    | \$ 0.1750 |

See Notes to Condensed Consolidated Financial Statements

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

| <b>ASSETS</b>  | <b>March 31,<br/>2009</b> | <b>December 31,<br/>2008</b> |
|--|---------------------------|------------------------------|
| <b>UTILITY PLANT:</b>                                  |                           |                              |
| Water Production                                       | \$ 107,708                | \$ 107,517                   |
| Transmission and Distribution                          | 285,975                   | 283,759                      |
| General  | 27,604                    | 27,142                       |
| Construction Work in Progress                          | 15,767                    | 11,653                       |
| <b>TOTAL</b>   | <b>437,054</b>            | <b>430,071</b>               |
| Less Accumulated Depreciation                          | 72,241                    | 70,544                       |
| <b>UTILITY PLANT - NET</b>                             | <b>364,813</b>            | <b>359,527</b>               |
| <b>CURRENT ASSETS:</b>                                 |                           |                              |
| Cash and Cash Equivalents                              | 3,158                     | 3,288                        |
| Accounts Receivable, net                               | 8,971                     | 9,510                        |
| Unbilled Revenues                                      | 4,359                     | 4,822                        |
| Materials and Supplies (at average cost)               | 1,480                     | 1,475                        |
| Prepayments  | 993                       | 1,481                        |
| <b>TOTAL CURRENT ASSETS</b>                            | <b>18,961</b>             | <b>20,576</b>                |
| <b>DEFERRED CHARGES</b>                                |                           |                              |
| Unamortized Debt Expense                               | 2,986                     | 2,903                        |
| <b>AND OTHER ASSETS:</b>                               |                           |                              |
| Preliminary Survey and Investigation Charges           | 6,915                     | 7,187                        |
| Regulatory Assets                                      | 31,747                    | 31,910                       |
| Operations Contracts Fees Receivable                   | 3,736                     | 3,708                        |
| Restricted Cash  | 6,947                     | 7,049                        |
| Non-utility Assets - Net                               | 6,727                     | 6,762                        |
| Other  | 519                       | 378                          |
| <b>TOTAL DEFERRED CHARGES AND OTHER ASSETS</b>         | <b>59,577</b>             | <b>59,897</b>                |
| <b>TOTAL ASSETS</b>                                    | <b>\$ 443,351</b>         | <b>\$ 440,000</b>            |
| <b>CAPITALIZATION AND LIABILITIES</b>                  |                           |                              |
| <b>CAPITALIZATION:</b>                                 |                           |                              |
| Common Stock, No Par Value                             | \$ 108,100                | \$ 107,726                   |
| Retained Earnings                                      | 29,006                    | 30,077                       |
| <b>TOTAL COMMON EQUITY</b>                             | <b>137,106</b>            | <b>137,803</b>               |
| Preferred Stock  | 3,375                     | 3,375                        |
| Long-term Debt   | 124,351                   | 118,217                      |
| <b>TOTAL CAPITALIZATION</b>                            | <b>264,832</b>            | <b>259,395</b>               |
| <b>CURRENT LIABILITIES:</b>                            |                           |                              |
| Current Portion of Long-term Debt                      | 3,323                     | 17,985                       |
| Notes Payable  | 37,010                    | 25,877                       |
| Accounts Payable                                       | 4,957                     | 5,689                        |
| Accrued Taxes  | 9,420                     | 7,781                        |
| Accrued Interest                                       | 887                       | 2,053                        |
| Unearned Revenues and Advanced Service Fees            | 812                       | 842                          |
| Other  | 1,619                     | 1,243                        |
| <b>TOTAL CURRENT LIABILITIES</b>                       | <b>58,028</b>             | <b>61,470</b>                |
| <b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)</b> |                           |                              |
| <b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>         |                           |                              |
| Customer Advances for Construction                     | 21,871                    | 22,089                       |
| Accumulated Deferred Investment Tax Credits            | 1,362                     | 1,382                        |
| Accumulated Deferred Income Taxes                      | 22,135                    | 21,733                       |
| Employee Benefit Plans                                 | 26,023                    | 25,540                       |
| Regulatory Liability - Cost of Utility Plant Removal   | 6,347                     | 6,197                        |
| Other  | 931                       | 963                          |
| <b>TOTAL DEFERRED CREDITS AND OTHER LIABILITIES</b>    | <b>78,669</b>             | <b>77,904</b>                |
| <b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>            | <b>41,822</b>             | <b>41,231</b>                |
| <b>TOTAL CAPITALIZATION AND LIABILITIES</b>            | <b>\$ 443,351</b>         | <b>\$ 440,000</b>            |

See Notes to Condensed Consolidated Financial Statements.



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

|  | Three Months Ended March 31, |                 |
|--|------------------------------|-----------------|
|  | 2009                         | 2008            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                               |                              |                 |
| Net Income   | \$ 1,361                     | \$ 2,004        |
| Adjustments to Reconcile Net Income to                                     |                              |                 |
| Net Cash Provided by Operating Activities:                                 |                              |                 |
| Depreciation and Amortization  | 2,236                        | 2,088           |
| Provision for Deferred Income Taxes and ITC                                | 325                          | 123             |
| Equity Portion of AFUDC  | (129)                        | (54)            |
| Cash Surrender Value of Life Insurance                                     | 51                           | 172             |
| Changes in Assets and Liabilities:   |                              |                 |
| Accounts Receivable  | 511                          | 128             |
| Unbilled Revenues  | 463                          | 245             |
| Materials & Supplies   | (5)                          | (68)            |
| Prepayments  | 488                          | 368             |
| Other Assets   | (311)                        | (213)           |
| Accounts Payable   | (732)                        | (1,006)         |
| Accrued Taxes  | 1,639                        | 2,092           |
| Accrued Interest   | (1,166)                      | (941)           |
| Employee Benefit Plans   | 673                          | 678             |
| Unearned Revenue & Advanced Service Fees                                   | (30)                         | -               |
| Other Liabilities  | 344                          | 115             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                           | <b>5,718</b>                 | <b>5,731</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                               |                              |                 |
| Utility Plant Expenditures, Including AFUDC of \$112 in 2009, \$49 in 2008 | (5,976)                      | (7,008)         |
| Restricted Cash  | 116                          | 219             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                               | <b>(5,860)</b>               | <b>(6,789)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                               |                              |                 |
| Redemption of Long-term Debt   | (15,541)                     | (490)           |
| Proceeds from Issuance of Long-term Debt                                   | 7,013                        | 343             |
| Net Short-term Bank Borrowings   | 11,133                       | 2,750           |
| Deferred Debt Issuance Expenses  | (125)                        | (28)            |
| Restricted Cash  | (14)                         | -               |
| Proceeds from Issuance of Common Stock                                     | 374                          | 357             |
| Payment of Common Dividends  | (2,380)                      | (2,319)         |
| Payment of Preferred Dividends   | (52)                         | (62)            |
| Construction Advances and Contributions-Net                                | (396)                        | (60)            |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                           | <b>12</b>                    | <b>491</b>      |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>                            | <b>(130)</b>                 | <b>(567)</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                    | <b>3,288</b>                 | <b>2,029</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                          | <b>\$ 3,158</b>              | <b>\$ 1,462</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:</b>                       |                              |                 |
| Utility Plant received as Construction Advances and Contributions          | \$ 769                       | \$ 546          |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>                  |                              |                 |
| Cash Paid During the Year for:   |                              |                 |
| Interest   | \$ 2,623                     | \$ 2,546        |
| Interest Capitalized   | \$ (112)                     | \$ (49)         |
| Income Taxes   | \$ 420                       | \$ 701          |

See Notes to Condensed Consolidated Financial Statements.

**MIDDLESEX WATER COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CAPITAL STOCK**  
**AND LONG-TERM DEBT**

(Unaudited)

(In thousands)

|   | March 31,<br>2009 | December 31,<br>2008 |
|---|-------------------|----------------------|
| <b>Common Stock, No Par Value</b>                                 |                   |                      |
| Shares Authorized - 40,000  |                   |                      |
| Shares Outstanding - 2009 - 13,425                                | \$ 108,100        | \$ 107,726           |
| 2008 - 13,404   |                   |                      |
| <b>Retained Earnings</b>  |                   |                      |
|   | 29,006            | 30,077               |
| <b>TOTAL COMMON EQUITY</b>  | <b>\$ 137,106</b> | <b>\$ 137,803</b>    |
| <b>Cumulative Preference Stock, No Par Value:</b>                 |                   |                      |
| Shares Authorized - 100   |                   |                      |
| Shares Outstanding - None   |                   |                      |
| <b>Cumulative Preferred Stock, No Par Value:</b>                  |                   |                      |
| Shares Authorized - 134   |                   |                      |
| Shares Outstanding - 32   |                   |                      |
| <b>Convertible:</b>   |                   |                      |
| Shares Outstanding, \$7.00 Series - 14                            | \$ 1,457          | \$ 1,457             |
| Shares Outstanding, \$8.00 Series - 7                             | 816               | 816                  |
| <b>Nonredeemable:</b>   |                   |                      |
| Shares Outstanding, \$7.00 Series - 1                             | 102               | 102                  |
| Shares Outstanding, \$4.75 Series - 10                            | 1,000             | 1,000                |
| <b>TOTAL PREFERRED STOCK</b>                                      | <b>\$ 3,375</b>   | <b>\$ 3,375</b>      |
| <b>Long-term Debt:</b>  |                   |                      |
| 8.05%, Amortizing Secured Note, due December 20, 2021             | \$ 2,668          | \$ 2,695             |
| 6.25%, Amortizing Secured Note, due May 19, 2028                  | 8,050             | 8,155                |
| 6.44%, Amortizing Secured Note, due August 25, 2030               | 5,997             | 6,067                |
| 6.46%, Amortizing Secured Note, due September 19, 2031            | 6,277             | 6,347                |
| 6.59%, Amortizing Secured Note, due April 20, 2029                | 6,976             | -                    |
| 4.22%, State Revolving Trust Note, due December 31, 2022          | 657               | 657                  |
| 3.30% to 3.60%, State Revolving Trust Note, due May 1, 2025       | 3,702             | 3,689                |
| 3.49%, State Revolving Trust Note, due January 25, 2027           | 677               | 675                  |
| 4.03%, State Revolving Trust Note, due December 1, 2026           | 939               | 939                  |
| 4.00% to 5.00%, State Revolving Trust Bond, due September 1, 2021 | 660               | 660                  |
| 0.00%, State Revolving Fund Bond, due September 1, 2021           | 464               | 500                  |
| 3.64%, State Revolving Trust Note, due July 1, 2028               | 395               | 389                  |
| 3.64%, State Revolving Trust Note, due January 1, 2028            | 137               | 140                  |
| <b>First Mortgage Bonds:</b>                                      |                   |                      |
| 5.20%, Series S, due October 1, 2022                              | 12,000            | 12,000               |
| 5.25%, Series T, due October 1, 2023                              | 6,500             | 6,500                |
| 6.40%, Series U, due February 1, 2009                             | -                 | 15,000               |
| 5.25%, Series V, due February 1, 2029                             | 10,000            | 10,000               |
| 5.35%, Series W, due February 1, 2038                             | 23,000            | 23,000               |
| 0.00%, Series X, due September 1, 2018                            | 529               | 538                  |
| 4.25% to 4.63%, Series Y, due September 1, 2018                   | 710               | 710                  |
| 0.00%, Series Z, due September 1, 2019                            | 1,207             | 1,230                |
| 5.25% to 5.75%, Series AA, due September 1, 2019                  | 1,675             | 1,675                |
| 0.00%, Series BB, due September 1, 2021                           | 1,538             | 1,566                |
| 4.00% to 5.00%, Series CC, due September 1, 2021                  | 1,895             | 1,895                |
| 5.10%, Series DD, due January 1, 2032                             | 6,000             | 6,000                |
| 0.00%, Series EE, due September 1, 2024                           | 6,588             | 6,693                |
| 3.00% to 5.50%, Series FF, due September 1, 2024                  | 8,025             | 8,025                |
| 0.00%, Series GG, due August 1, 2026                              | 1,595             | 1,619                |
| 4.00% to 5.00%, Series HH, due August 1, 2026                     | 1,880             | 1,880                |
| 0.00%, Series II, due August 1, 2027                              | 1,683             | 1,708                |
| 3.40% to 5.00%, Series JJ, due August 1, 2027                     | 1,750             | 1,750                |
| 0.00%, Series KK, due August 1, 2028                              | 1,750             | 1,750                |
| 5.00% to 5.50%, Series LL, due August 1, 2028                     | 1,750             | 1,750                |
| <b>SUBTOTAL LONG-TERM DEBT</b>                                    | <b>127,674</b>    | <b>136,202</b>       |
| Less: Current Portion of Long-term Debt                           | (3,323)           | (17,985)             |
| <b>TOTAL LONG-TERM DEBT</b>                                       | <b>\$ 124,351</b> | <b>\$ 118,217</b>    |

See Notes to Condensed Consolidated Financial Statements.

**MIDDLESEX WATER COMPANY**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 – Basis of Presentation**

Middlesex Water Company (Middlesex or the Company) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater), Tidewater Environmental Services, Inc. (TESI), 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 (the Company) are reported on a consolidated basis. All significant intercompany accounts and transactions have been eliminated.

The consolidated notes within the 2008 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 March 31, 2009, the results of operations for the three month periods ended March 31, 2009 and 2008, and cash flows for the three month periods ended March 31, 2009 and 2008. Information included in the Condensed Consolidated Balance Sheet as of December 31, 2008, has been derived from the Company's audited financial statements for the year ended December 31, 2008.

Certain reclassifications have been made to the prior year financial statements to conform with the current period presentation.

**Recent Accounting Pronouncements** – In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FASB Statement 157, Fair Value Measurements, defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FSP FAS 157-4 provides additional guidance on determining when the volume and level of activity for the asset or liability has significantly decreased. The FSP also includes guidance on identifying circumstances when a transaction may not be considered orderly.

FSP FAS 157-4 provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with Statement 157.

This FSP clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The FSP provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.



This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 157-4 must also early adopt FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. The Company is currently reviewing the effect this new pronouncement will have on its consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 clarifies the interaction of the factors that should be considered when determining whether a debt security is other-than-temporarily impaired. For debt securities, management must assess whether (a) it has the intent to sell the security and (b) it is more likely than not that it will be required to sell the security prior to its anticipated recovery. These steps are done before assessing whether the entity will recover the cost basis of the investment. Previously, this assessment required management to assert it has both the intent and the ability to hold a security for a period of time sufficient to allow for an anticipated recovery in fair value to avoid recognizing an other-than-temporary impairment. This change does not affect the need to forecast recovery of the value of the security through either cash flows or market price.

In instances when a determination is made that an other-than-temporary impairment exists but the investor does not intend to sell the debt security and it is not more likely than not that it will be required to sell the debt security prior to its anticipated recovery, FSP FAS 115-2 and FAS 124-2 changes the presentation and amount of the other-than-temporary impairment recognized in the income statement. The other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 115-2 and FAS 124-2 must also early adopt FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. The Company is currently reviewing the effect this new pronouncement will have on its consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 107-1 and APB 28-1 must also early adopt FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly and FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. The Company is currently reviewing the effect this new pronouncement will have on its consolidated financial statements.

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets". This FSP amends Statement of Financial Accounting Standards (SFAS) 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits", to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets required by this FSP shall be provided for fiscal years ending after December 15, 2009. The Company is currently reviewing the effect this new pronouncement will have on its consolidated financial statements.

## **Note 2 – Rate Matters**

In accordance with the tariff established for Southern Shores, an annual rate increase of 3% was implemented on January 1, 2009. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%. The contracted rate schedule is set to expire on December 31, 2009. The Company is in the process of renegotiating the rate schedule.

Effective January 1, 2009, Tidewater received approval from the Delaware Public Service Commission (PSC) to increase their Distribution System Improvement Charge (DSIC) from 2.94% to 5.25%.

On January 12, 2009, Middlesex filed an application with the New Jersey Board of Public Utilities (BPU) seeking permission to establish a Purchased Water Adjustment Clause (PWAC) and implement a tariff rate sufficient to recover increased costs of \$1.0 million to purchase untreated water from the New Jersey Water Supply Authority and treated water from a non-affiliated regulated water utility. We cannot predict whether the BPU will ultimately approve, deny, or reduce the amount of the request.

On January 26, 2009 Tidewater filed an application with the PSC seeking permission to increase its base rates by 32.54%. Approximately 5.25% of the requested increase is already collected from customers through the DSIC. The request was made necessary by increased costs of operations, maintenance and taxes, as well as capital investment of approximately \$26.7 million since Tidewater's last rate filing in April of 2006. We cannot predict whether the PSC will ultimately approve, deny, or reduce the amount of the request. Concurrent with the rate filing, Tidewater also submitted a request for a 12.79% interim rate increase subject to refund as allowed under PSC regulations. The interim rate increase includes the 5.25% DSIC rate. The interim rates of 12.79% were approved by the PSC and went into effect on March 27, 2009 and the DSIC rate was set to zero simultaneously.

## **Note 3 – Capitalization**

**Common Stock** – During the three months ended March 31, 2009, there were 20,481 common shares (approximately \$0.3 million) issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan (DRP).

**Long-term Debt** – On March 19, 2009, Tidewater closed on a \$22.0 million PSC approved loan and immediately used \$7.0 million of the available funds to retire short-term debt. Terms for the new long-term debt include an interest rate of 6.59%, final maturity in April 2029 and equal principal payments over the life of the loan. Tidewater can borrow the remaining \$15.0 million in whole or in increments at its discretion until December 31, 2009, at an interest rate based on market conditions and with a maximum term of twenty years.

On February 29, 2009 Middlesex filed an application with the BPU seeking approval to issue up to \$4.0 million of first mortgage bonds through the New Jersey Environmental Infrastructure Trust under the New Jersey State Revolving Fund (SRF) program. The BPU approved the Company's application. The Company expects to complete the transaction in November 2009. Proceeds from this financing will be used for the ongoing main cleaning and lining project in 2010.

## **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 both the Convertible Preferred Stock \$7.00 Series and the Convertible Preferred Stock \$8.00 Series.

(In Thousands Except per Share Amounts)  
Three Months Ended March 31,

| <b>Basic:</b>                                | 2009           | Shares | 2008           | Shares |
|--|----------------|--------|----------------|--------|
| Net Income                                   | \$ 1,361       | 13,413 | \$ 2,004       | 13,254 |
| Preferred Dividend                           | (52)           |        | (62)           |        |
| Earnings Applicable to Common Stock          | \$ 1,309       | 13,413 | \$ 1,942       | 13,254 |
| <b>Basic EPS</b>                             | <b>\$ 0.10</b> |        | <b>\$ 0.15</b> |        |
| <b>Diluted:</b>                              |                |        |                |        |
| Earnings Applicable to Common Stock          | \$ 1,309       | 13,413 | \$ 1,942       | 13,254 |
| \$7.00 Series Preferred Dividend             | 24             | 167    | 24             | 167    |
| \$8.00 Series Preferred Dividend             | 14             | 96     | 24             | 164    |
| Adjusted Earnings Applicable to Common Stock | \$ 1,347       | 13,676 | \$ 1,990       | 13,585 |
| <b>Diluted EPS</b>                           | <b>\$ 0.10</b> |        | <b>\$ 0.15</b> |        |

**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 the States of 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<br>March 31, |                  |
| Operations by Segments:              | 2009                            | 2008             |
| <b>Revenues:</b>                     |                                 |                  |
| Regulated                            | \$ 17,976                       | \$ 18,422        |
| Non – Regulated                      | 2,666                           | 2,484            |
| Inter-segment Elimination            | (59)                            | (51)             |
| <b>Consolidated Revenues</b>         | <b>\$ 20,583</b>                | <b>\$ 20,855</b> |
| <b>Operating Income:</b>             |                                 |                  |
| Regulated                            | \$ 2,599                        | \$ 3,891         |
| Non – Regulated                      | 403                             | 456              |
| <b>Consolidated Operating Income</b> | <b>\$ 3,002</b>                 | <b>\$ 4,347</b>  |
| <b>Net Income:</b>                   |                                 |                  |
| Regulated                            | \$ 1,086                        | \$ 1,701         |
| Non – Regulated                      | 275                             | 303              |
| <b>Consolidated Net Income</b>       | <b>\$ 1,361</b>                 | <b>\$ 2,004</b>  |
| <b>Capital Expenditures:</b>         |                                 |                  |
| Regulated                            | \$ 6,294                        | \$ 6,311         |
| Non – Regulated                      | (48)                            | 16               |
| <b>Total Capital Expenditures</b>    | <b>\$ 6,246</b>                 | <b>\$ 6,327</b>  |

|                           | As of<br>March 31,<br>2009 | As of<br>December 31,<br>2008 |
|---------------------------|----------------------------|-------------------------------|
| Assets:                   |                            |                               |
| Regulated                 | \$ 436,509                 | \$ 433,109                    |
| Non – Regulated           | 11,464                     | 11,537                        |
| Inter-segment Elimination | (4,622)                    | (4,646)                       |
| Consolidated Assets       | <u>\$ 443,351</u>          | <u>\$ 440,000</u>             |

## **Note 6 – Short-term Borrowings**

As of March 31, 2009, the Company has established lines of credit aggregating \$53.0 million. At March 31, 2009, the outstanding borrowings under these credit lines were \$37.0 million at a weighted average interest rate of 1.67%.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were \$36.2 million and \$7.5 at 1.98% and 4.65% for the three months ended March 31, 2009 and 2008, respectively.

Interest rates for short-term borrowings under the lines of credit are below the prime rate with no requirement for compensating balances.

## **Note 7 – Commitments and Contingent Liabilities**

Guarantees - - USA-PA operates the City of Perth Amboy, New Jersey (Perth Amboy) water and wastewater systems under contract through June 30, 2018. The agreement was effected under New Jersey's Water Supply Public/Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives a fixed fee and in addition, a variable fee based on increased system billing. Scheduled fixed fee payments for 2009 are \$8.2 million. The fixed fees will increase over the term of the contract to \$10.2 million per year.

In connection with the agreement, Perth Amboy, through the Middlesex County Improvement Authority, issued approximately \$68.0 million in three series of bonds. Middlesex guaranteed one of those series of bonds, designated the Series C Serial Bonds, in the principal amount of approximately \$26.3 million. Perth Amboy guaranteed the two other series of bonds. The Series C Serial Bonds have various maturity dates with the final maturity date on September 1, 2015. As of March 31, 2009, approximately \$21.4 million of the Series C Serial Bonds remained outstanding.

Middlesex is obligated to perform under the guarantee in the event notice is received from the Series C Serial Bonds trustee of an impending debt service deficiency. If Middlesex funds any debt service obligations as guarantor, Perth Amboy is required to reimburse the Company. There are other provisions in the agreement that make it unlikely that we would be required to perform under the guarantee, such as scheduled annual rate increases for water and wastewater services as well as rate increases that may be implemented at anytime by Perth Amboy. In the event revenues from customers could not satisfy the reimbursement requirements, Perth Amboy has Ad Valorem taxing powers, which could be used to raise the needed amount.

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 per 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 also has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement, which expires February 27, 2011, provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

Purchased water costs are shown below:

|                        | (In Thousands)     |                 |
|------------------------|--------------------|-----------------|
|                        | Three Months Ended |                 |
|                        | March 31,          |                 |
|                        | 2009               | 2008            |
| <u>Purchased Water</u> |                    |                 |
| Treated                | \$ 541             | \$ 522          |
| Untreated              | 598                | 605             |
| Total Costs            | <u>\$ 1,139</u>    | <u>\$ 1,127</u> |

Construction – The Company expects to spend approximately \$28.8 million on its construction program in 2009.

Litigation – The Company is a defendant in lawsuits in the normal course of business. We believe the resolution of pending claims and legal proceedings will not have a material adverse effect on the Company's consolidated financial statements.

Change in Control Agreements – The Company has Change in Control Agreements with 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 Retirement Benefit Plans**

**Pension** – The Company has a noncontributory defined benefit pension plan, which covers all employees with more than 1,000 hours of service in a year. Employees hired after March 31, 2007 are not eligible to participate in this plan, but do participate in a defined contribution plan that provides an annual contribution at the discretion of the Company based upon a percentage of the participants' compensation. In order to be eligible for an annual contribution, the eligible employee must be employed by the Company on December 31st of the year to which the award pertains. During the first quarter the Company contributed \$0.5 million of cash to the plan. The Company expects to make additional cash contributions of approximately \$3.1 million to the defined benefit pension plan 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 \$0.3 million in annual benefits to the retired participants.

**Postretirement Benefits Other Than Pensions** – The Company maintains a postretirement benefit plan other than pensions for substantially all of its retired employees. Employees hired after March 31, 2007 are not eligible to participate in this plan. Coverage includes healthcare and life insurance. Retiree contributions are dependent on credited years of service. During the first quarter the Company contributed \$0.3 million of cash to the plan. The Company expects to make additional cash contributions of approximately \$1.7 million to the plan over the remainder of the current year.

The following table sets forth information relating to the Company's periodic costs for its retirement plans.

|   | (In Thousands)               |               |                       |               |
|---|------------------------------|---------------|-----------------------|---------------|
|   | <u>Pension Benefits</u>      |               | <u>Other Benefits</u> |               |
|   | Three Months Ended March 31, |               |                       |               |
|   | 2009                         | 2008          | 2009                  | 2008          |
| Service Cost                                    | \$ 343                       | \$ 324        | \$ 223                | \$ 205        |
| Interest Cost                                   | 525                          | 452           | 272                   | 224           |
| Expected Return on Assets                       | (401)                        | (455)         | (149)                 | (120)         |
| Amortization of Unrecognized Losses             | 154                          | 19            | 123                   | 84            |
| Amortization of Unrecognized Prior Service Cost | 2                            | 2             | -                     | -             |
| Amortization of Transition Obligation           | -                            | -             | 34                    | 34            |
| Net Periodic Benefit Cost                       | <u>\$ 623</u>                | <u>\$ 342</u> | <u>\$ 503</u>         | <u>\$ 427</u> |

#### Note 9 – Stock Based Compensation

The Company maintains an escrow account for 58,775 shares of the Company's common stock which were awarded under the 1997 Restricted Stock Plan, which has expired and 21,807 shares of the Company's common stock which were awarded under the 2008 Restricted Stock Plan. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the award other than as a result of retirement, death, disability or change in control. Shareholders approved the 2008 Restricted Stock Plan at the Company's 2008 annual meeting of shareholders. The maximum number of shares authorized for grant under the 2008 Restricted Stock Plan is 300,000.

The Company recognizes compensation expense at fair value for its restricted stock awards in accordance with SFAS 123(R), "Shared Based Payment". Compensation expense is determined by the market value of the stock on the date of the award and is being amortized over a five-year period. Compensation expense for the three months ended March 31, 2009 and 2008 was \$0.1 million. Total unearned compensation related to restricted stock was \$0.8 million at March 31, 2009 and 2008.

**Note 10 – Other Comprehensive Income**

Comprehensive income was as follows:

|   | (In Thousands)     |          |
|---|--------------------|----------|
|   | Three Months Ended |          |
|   | March 31,          |          |
|   | 2009               | 2008     |
| Net Income  | \$ 1,361           | \$ 2,004 |
| Other Comprehensive Loss:                                   |                    |          |
| Change in Value of Equity Investments,<br>Net of Income Tax | -                  | (12)     |
| Other Comprehensive Loss                                    | -                  | (12)     |
| Comprehensive Income  | \$ 1,361           | \$ 1,992 |



## 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 the Company included elsewhere herein and with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

### 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. These statements include, but are not limited to:

- statements as to expected financial condition, performance, prospects and earnings of the Company;
- statements regarding strategic plans for growth;
- statements regarding the amount and timing of rate increases and other regulatory matters;
- statements regarding expectations and events concerning capital expenditures;
- statements as to the Company's expected liquidity needs during fiscal 2008 and beyond and statements as to the sources and availability of funds to meet its liquidity needs;
- statements as to expected rates, consumption volumes, service fees, revenues, margins, expenses and operating results;
- statements as to the Company's compliance with environmental laws and regulations and estimations of the materiality of any related costs;
- statements as to the safety and reliability of the Company's equipment, facilities and operations;
- statements as to financial projections;
- statements as to the ability of the Company to pay dividends;
- statements as to the Company's plans to renew municipal franchises and consents in the territories it serves;
- expectations as to the amount of cash contributions to fund the Company's retirement benefit plans, including statements as to anticipated discount rates and rates of return on plan assets;
- statements as to trends; and
- statements regarding 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:

- the effects of general economic conditions;
- increases in competition in the markets served by the Company;
- the ability of the Company to control operating expenses and to achieve efficiencies in its operations;
- the availability of adequate supplies of water;
- actions taken by government regulators, including decisions on base rate increase requests;
- new or additional water quality standards;
- weather variations and other natural phenomena;
- the existence of attractive acquisition candidates and the risks involved in pursuing those acquisitions;
- acts of war or terrorism;
- significant changes in the housing starts in Delaware;
- the availability and cost of capital resources; and
- other factors discussed elsewhere in this quarterly 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, 2008.

## Overview

The Company has operated as a water utility in New Jersey since 1897, and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for residential, irrigation, commercial, municipal, industrial and fire protection purposes. We also operate a New Jersey municipal water and wastewater system under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. Our utility companies are regulated as to rates charged to customers for water and wastewater services in New Jersey and Delaware, as to the quality of service provided and as to certain other matters. Our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

Our New Jersey water utility system (the Middlesex System) provides water services to approximately 59,700 retail, commercial and fire service customers, primarily in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey with a total population of approximately 303,000. Through our subsidiary, USA-PA, we operate the water supply system and wastewater collection system for the City of Perth Amboy, New Jersey. Pinelands Water and Pinelands Wastewater provide water and wastewater services to residents in Southampton Township, New Jersey.

Tidewater and Southern Shores provide water services to approximately 32,700 retail customers in New Castle, Kent, and Sussex Counties, Delaware. Our TESI subsidiary provides regulated wastewater service to approximately 1,800 residential retail customers. White Marsh serves approximately 7,100 customers under unregulated operating contracts with various owners of small water and wastewater systems in Kent and Sussex Counties.

USA provides customers both inside and outside of our service territories a service line maintenance program called LineCare<sup>SM</sup>. We offer a similar program for wastewater customers called LineCare+<sup>SM</sup>.

The majority of our revenue is generated from regulated water services to customers in our franchise areas. We record water service revenue as such service is rendered and include estimates for amounts unbilled at the end of the period for services provided since the end of the last billing cycle. Fixed service charges are billed in advance by our subsidiary, Tidewater, and are recognized in revenue as the service is provided.

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 evident in the discussions below which compare our results of operations with prior periods.

## Recent Developments

### *Rate Increases*

In accordance with the tariff established for Southern Shores, an annual rate increase of 3% was implemented on January 1, 2009. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%. The contracted rate schedule is set to expire on December 31, 2009. The Company is in the process of renegotiating the rate schedule.

Effective January 1, 2009, Tidewater received approval from the Delaware Public Service Commission (PSC) to increase their Distribution System Improvement Charge (DSIC) from 2.94% to 5.25%.

On January 12, 2009, Middlesex filed an application with the New Jersey Board of Public Utilities (BPU) seeking permission to establish a Purchased Water Adjustment Clause (PWAC) and implement a tariff rate sufficient to recover increased costs of \$1.0 million to purchase untreated water from the New Jersey Water Supply Authority and treated water from a non-affiliated regulated water utility. We cannot predict whether the BPU will ultimately approve, deny, or reduce the amount of the request.

On January 26, 2009 Tidewater filed an application with the PSC seeking permission to increase its base rates by 32.54%. Approximately 5.25% of the requested increase is already collected from customers through the DSIC. The request was made necessary by increased costs of operations, maintenance and taxes, as well as capital investment of approximately \$26.7 million since our last rate filing in April of 2006. We cannot predict whether the PSC will ultimately approve, deny, or reduce the amount of the request. Concurrent with the rate filing, Tidewater also submitted a request for a 12.79% interim rate increase subject to refund as allowed under PSC regulations. The interim rate increase includes the 5.25% DSIC rate. The interim rates of 12.79% were approved by the PSC and went into effect on March 27, 2009 and the DSIC rate was set to zero simultaneously.

Middlesex is currently evaluating the timing and level of a base rate increase petition with the BPU. As more fully described in the Operating Results by Segment section, there have been declining revenues from commercial and industrial (C&I) customers and higher costs for retirement benefit plans and other operating costs. There can be no assurance that the ultimate rate increase requested will be approved in whole or in part, by the BPU. It is unlikely that any base rate filing by Middlesex would be decided upon in 2009.

## Operating Results by Segment

The Company has two operating segments, Regulated and Non-Regulated. Our Regulated segment contributed 87% of total revenues and 80% of net income for the three months ended March 31, 2009. This segment contributed 88% of total revenues and 85% of net income over the same three month period ended March 31, 2008. The discussion of the Company's results of operations is on a consolidated basis, and includes significant factors by subsidiary. The segments in the tables included below consist of the following companies: Regulated-Middlesex, Tidewater, Pinelands, Southern Shores, and TESI; Non-Regulated- USA, USA-PA, and White Marsh.

**Results of Operations – Three Months Ended March 31, 2009**(In Thousands)  
Three Months Ended March 31,

|                                     | 2009            |               |                 | 2008            |               |                 |
|-------------------------------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|
|                                     | Regulated       | Non-Regulated | Total           | Regulated       | Non-Regulated | Total           |
| Revenues                            | \$ 17,976       | \$ 2,607      | \$ 20,583       | \$ 18,422       | \$ 2,433      | \$ 20,855       |
| Operations and maintenance expenses | 10,937          | 2,106         | 13,043          | 10,208          | 1,890         | 12,098          |
| Depreciation expense                | 2,049           | 37            | 2,086           | 1,902           | 29            | 1,931           |
| Other taxes                         | 2,391           | 61            | 2,452           | 2,421           | 58            | 2,479           |
| <b>Operating income</b>             | <b>2,599</b>    | <b>403</b>    | <b>3,002</b>    | <b>3,891</b>    | <b>456</b>    | <b>4,347</b>    |
| Other income, net                   | 311             | 98            | 409             | 176             | 122           | 298             |
| Interest expense                    | 1,335           | 57            | 1,392           | 1,446           | 71            | 1,517           |
| Income taxes                        | 489             | 169           | 658             | 920             | 204           | 1,124           |
| <b>Net income</b>                   | <b>\$ 1,086</b> | <b>\$ 275</b> | <b>\$ 1,361</b> | <b>\$ 1,701</b> | <b>\$ 303</b> | <b>\$ 2,004</b> |

Operating revenues for the three months ended March 31, 2009 decreased \$0.3 million, or 1.3%, from the same period in 2008. Revenues in our Middlesex system decreased \$0.6 million as a result of lower water consumption across all customer classes. We experienced a 6.5% decline in water use by our general retail metered customers, which includes C&I customers. Several of the larger industrial customer's consumption demands have dropped due to reduced output from their production processes. We have also seen a decline in consumption from our commercial customers, which are generally office facilities, guest facilities and multi-family residential facilities certain of our C&I customers are unable to determine when their water demands may return to previous levels or if the declines will continue. Revenues improved \$0.1 million in our Tidewater system due to a combination of customer growth, higher consumption and higher rates. Revenues from our Perth Amboy operations contract rose \$0.2 million due to scheduled fee increases.

Operation and maintenance expenses for the three months ended March 31, 2009 increased \$0.9 million or 7.8%. Labor costs increased \$0.4 million due to increases in wages and resources necessary to meet the growing needs of our Delaware service territory. Expenses for our qualified employee retirement benefit plans increased by \$0.1 million compared to the first quarter of 2008. Recently completed actuarial valuations indicate that benefit plan expenses could increase by up to \$1.1 million for the remainder of 2009 as compared to the same period in 2008. The actual expense will be reduced by the amount of benefits ultimately allocated to capital projects.

Water Production costs were \$0.2 million higher due to increased sales in Delaware and higher costs for water, electric power and chemicals in New Jersey. During the quarter we increased our uncollectible account reserve to reflect the current economic conditions, which resulted in additional expense of \$0.1 million. We incurred additional inspection fees of \$0.1 million for our LineCare program in the first quarter of 2009 compared to the same period in 2008.

Depreciation expense increased by \$0.2 million, or 8.0%, primarily as a result of a higher level of utility plant. Since March 31, 2008 our utility plant in service balance has increased by \$21.0 million.

Interest expense decreased by \$0.1 million due to a substantial decline in interest rates on short-term borrowings compared to the prior year period.

Income taxes decreased \$0.5 million as a result of decreased operating income as compared to the prior year.

Net income declined by \$0.6 million from \$2.0 million to \$1.4 million. Basic and diluted earnings per share decrease to \$0.10 for the three months ended March 31, 2009 compared to \$0.15 for the same period in 2008.

## Liquidity and Capital Resources

Cash flows from operations are largely dependent on three factors: the impact of weather on water sales, adequate and timely rate increases, and customer growth. The effect of those factors on net income is discussed in results of operations. For the three months ended March 31, 2009 and 2008, cash flows from operating activities were \$5.7 million. Lower earnings were offset by an increase in accounts payable due to timing. The \$5.7 million of net cash flow from operations enabled us to fund approximately 91% of our utility plant expenditures internally for the period, with the remainder funded by drawing upon our available lines of credit.

The capital spending program for 2009 is currently estimated to be \$28.8 million. Through March 31, 2009, we have expended \$6.2 million. For the remainder of 2009 we expect to incur \$22.6 million of costs. We expect to spend an additional \$6.7 million for additions and improvements to our Delaware water systems; \$0.9 million for infrastructure additions for our Delaware wastewater systems; \$3.1 million towards implementation of a Company-wide information system upgrade; \$0.6 million for other information systems equipment and software; and \$3.5 million for the RENEW program, to complete the cleaning and cement lining of approximately nine miles of unlined water mains in the Middlesex system. There remains a total of approximately 109 miles of unlined mains in the 730-mile Middlesex system. The capital program also includes an additional \$7.8 million to be incurred over the remainder of 2009 for scheduled upgrades to our existing systems in New Jersey. The remaining spending for scheduled upgrades include \$1.5 million for improvements to existing plant, \$4.5 million for mains, \$0.7 million for service lines, \$0.5 million for meters, \$0.2 million for hydrants and \$0.4 million for other infrastructure needs.

To fund our capital program in 2009, we have utilized internally generated funds, and funds available under existing New Jersey SRF program loans (currently, \$3.5 million) and Delaware SRF program loans (currently, \$1.9 million). These programs provide low cost financing for projects that meet certain water quality and system improvement benchmarks. If needed, we will also borrow funds through \$53.0 million of available lines of credit with several financial institutions. As of March 31, 2009, \$37.0 million was outstanding against the lines of credit.

We periodically issue shares of common stock in connection with our dividend reinvestment and stock purchase plan (DRP). From time to time, we may issue additional equity to reduce short-term indebtedness, fund our capital program, and for other general corporate purposes.

We currently project that we may be required to expend between \$56.3 million and \$73.6 million for capital projects in 2010 and 2011 combined. The exact amount is dependent on customer growth, residential housing sales and project scheduling.

To the extent possible and because of favorable interest rates available to regulated water utilities, we expect to finance our capital expenditures under the SRF loan programs. We also expect to use internally generated funds and proceeds from the sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan.

In addition to the effect of weather conditions on revenues, increases in certain operating costs will impact our liquidity and capital resources. Changes in operating costs and timing of capital projects will have an impact on revenues, earnings, and cash flows and will also impact the timing of filings for future rate increases.

We received rate relief for our Pinelands Companies in December 2008 and for Tidewater and Southern Shores on January 1, 2009. In addition, we implemented an interim rate increase on March 27, 2009 for Tidewater in connection with their base rate increase request. We are seeking recovery of increased purchased water costs for Middlesex and are also evaluating the need to seek approval to increase base rates for Middlesex customers.

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

**Item 3. Quantitative and Qualitative Disclosures of Market Risk**

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our capital program is partially financed with 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 Amortizing Secured Notes and First Mortgage Bonds, which have final maturity dates ranging from 2018 to 2038. Over the next twelve months, approximately \$3.3 million of the current portion of twenty-four existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest of 10% on those borrowings would not have a material effect on earnings.

**Item 4. Controls and Procedures**

As required by Rule 13a-15 under 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 is 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

Reference is made to the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Note 7 to the unaudited Condensed Consolidated Financial Statements for the period ended March 31, 2009, included in Part 1 of this Quarterly Report on Form 10-Q, is hereby incorporated by reference.

### Item 1A. Risk Factors

We expect our revenues to increase from customer growth in Delaware for our regulated water operations and, to a lesser degree, our regulated wastewater operations as a result of the anticipated construction and sale of new housing units in the territories we serve. Although the residential building market in Delaware has experienced growth in recent years, this growth may not continue in the future. If housing starts in the Delaware territories we serve decline significantly as a result of economic conditions or otherwise, our revenue growth may not meet our expectations and our financial results could be negatively impacted.

Except as described above, information about risk factors for the three months ended March 31, 2009 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, 2008.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Submission of Matters to a Vote of Security Holders

None.

### Item 5. Other Information

None.

**Item 6. Exhibits**

- [10.28](#) Copy of Promissory Notes and Amendment to Combination Water Utility Real Estate Mortgage and Security Agreement, by Tidewater Utilities, Inc., Dated March 19, 2009
- [31](#) Section 302 Certification by Dennis W. Doll pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- [31.1](#) Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- [32](#) 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.
- [32.1](#) 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.



**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  
Vice President and  
Chief Financial Officer

Date: May 11, 2009

**PROMISSORY NOTE AND SUPPLEMENT**  
(Single Advance Term Loan)

**THIS PROMISSORY NOTE AND SUPPLEMENT** (this "Promissory Note and Supplement"), is entered into as of March 19, 2009, between **TIDEWATER UTILITIES, INC.**, a Delaware corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank"), and supplements that certain Master Loan Agreement dated as of May 23, 2003 (as amended or restated from time to time, the "MLA"). Capitalized terms used herein and not defined herein shall have the meanings given to those terms in the MLA.

**SECTION 1. The Commitment.** On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan (the "Loan") to the Company in an amount not to exceed \$7,000,000 (the "Commitment"). CoBank's obligation to make the Loan shall expire at 12:00 Noon, Company's local time, on March 31, 2009, or such later date as CoBank may, in its sole discretion, authorize in writing. Under the Commitment, amounts borrowed and later repaid may not be reborrowed.

**SECTION 2. Purpose.** The purpose of the Commitment is to refinance the outstanding principal balance of that certain Promissory Note and Supplement dated as of August 22, 2005, and numbered RX0024T5 (the "Term Revolver"). Upon making the Loan, the Term Revolver shall automatically terminate.

**SECTION 3. Availability.** Notwithstanding Section 2.02 of the MLA, the Loan will be made available: (A) on a date to be agreed upon by the parties (the "Closing Date"); (B) by written request in form and content prescribed by CoBank (the "Request for Loan"); (C) in a single advance; and (D) by CoBank retaining the proceeds of the Loan and applying them against the unpaid principal balance of the Term Revolver.

**SECTION 4. Interest.**

(A) **Interest Rate Options.** The Company agrees to pay interest on the unpaid principal balance of the Loan in accordance with one or more of the following interest rate options, as selected by the Company:

(1) **Weekly Quoted Variable Rate Option.** At a rate per annum equal to the rate of interest established by CoBank on the first Business Day of each week (the "Variable Rate Option"). The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

(2) **Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance (the "Quoted Fixed Rate Option"). Under this option, rates may be fixed on such balances and for such periods (each a "Quoted Fixed Rate Period") as may be agreeable to CoBank in its sole discretion in each instance; provided that: (1) rates may not be fixed for periods of less than 180 days; (2) rates may be fixed on balances of \$100,000 or multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

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**(3) LIBOR Option.** At a fixed rate per annum equal to "LIBOR" (as hereinafter defined) plus 2.00% per annum (the "**LIBOR Option**"). Under this option: (1) rates may be fixed for "Interest Periods" (as hereinafter defined) of 1, 2, 3, or 6 months, as selected by the Company; (2) rates may be fixed on balances of \$100,000 or multiples thereof; (3) the maximum number of balances that may be fixed at any one time shall be five (5); (4) rates may only be fixed on a "Banking Day" (as hereinafter defined) on 3 Banking Days' prior notice; and (5) rates may not be fixed for Interest Periods expiring on or after the second anniversary of the date hereof, at which time this option shall cease to be in effect. For purposes hereof: (a) "LIBOR" shall mean the rate (rounded upward to the nearest sixteenth of a percentage point and adjusted for reserves required on "Eurocurrency Liabilities" (as hereinafter defined) for banks subject to "FRB Regulation D" (as hereinafter defined) or required by any other federal law or regulation) quoted by the British Bankers Association ("BBA") at 11:00 a.m. London time 2 Banking Days before the commencement of the Interest Period for the offering of U.S. dollar deposits in the London interbank market for the Interest Period designated by the Company, as published by Bloomberg or another major information vendor listed on BBA's official website; (b) "Banking Day" shall mean a day on which CoBank is open for business, dealings in U.S. dollar deposits are being carried out in the London interbank market, and banks are open for business in New York City and London, England; (c) "Interest Period" shall mean a period commencing on the date this option is to take effect and ending on the numerically corresponding day in the next calendar month or the month that is 2, 3, or 6 months thereafter, as the case may be; provided, however, that: (i) in the event such ending day is not a Banking Day, such period shall be extended to the next Banking Day unless such next Banking Day falls in the next calendar month, in which case it shall end on the preceding Banking Day; and (ii) if there is no numerically corresponding day in the month, then such period shall end on the last Banking Day in the relevant month; (d) "Eurocurrency Liabilities" shall have the meaning as set forth in FRB Regulation D; and (e) "FRB Regulation D" shall mean Regulation D as promulgated by the Board of Governors of the Federal Reserve System, 12 CFR Part 204, as amended.

**(B) Elections.** Subject to the limitations set forth above, the Company: (1) shall select the applicable rate option(s) at the time it requests the Loan; (2) may, on any Business Day, elect to convert balances bearing interest at the Variable Rate Option to the Quoted Fixed Rate Option; (3) may, on the last day of any Quoted Fixed Rate Period, elect to refix the rate under the Quoted Fixed Rate Option or convert the balance to the Variable Rate Option; (4) may, on the last day of any Interest Period, elect to convert balances bearing interest at the LIBOR Option to the Variable Rate Option or Quoted Fixed Rate Option; and (5) may, on three Banking Days' prior notice, elect to convert balances bearing interest at the Variable Rate Option or the Quoted Fixed Rate Option to the LIBOR Option or refix a rate under the LIBOR Option; provided, however, that balances bearing interest at the Quoted Fixed Rate Option or the LIBOR Option may not be converted or continued until the last day of the Quoted Fixed Rate Period or Interest Period applicable thereto. In the absence of an election provided for herein, the Company shall be deemed to have elected the Variable Rate Option. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 noon Company's local time on the applicable Business Day. Any election made telephonically shall be promptly confirmed in writing, if so requested by CoBank.

**(C) Calculation and Payment.** Interest shall be calculated on the actual number of days the Loan is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date the Loan is made shall be included and the date the Loan or installment thereof is repaid shall, if received before 3:00 P.M. Mountain time, be excluded. Interest shall be payable monthly in arrears by the twentieth (20<sup>th</sup>) day of the following month (or on such other day in such month as CoBank shall require in a written notice to the Company) and on the final maturity of the Loan. Notwithstanding the foregoing, at CoBank's option, interest on any balance bearing interest at the LIBOR Option shall be payable on the last day of the Interest Period or, in the case of Interest Periods of longer than three months, at three month intervals.

**(D) Additional Provisions Regarding The LIBOR Option.** Notwithstanding any other provision hereof, CoBank shall have the right to temporarily suspend or permanently terminate the Company's ability to fix rates under the LIBOR Option or for one or more Interest Periods if, for any reason whatsoever (including a change in Law): (1) LIBOR is no longer being quoted in the London interbank market or is no longer being quoted for an Interest Period; (2) CoBank is prohibited from offering rates based on LIBOR; or (3) CoBank's cost to fund balances bearing interest at the LIBOR Option (as determined by CoBank in its sole discretion) increases beyond any corresponding increase in LIBOR or decreases less than any corresponding decrease in LIBOR. In addition, if as a result of a change in Law or otherwise, CoBank is required to allocate additional capital to, or otherwise bear increase costs as a result of maintaining balances under, the LIBOR Option, the Company agrees to indemnify CoBank upon demand against all such costs.

**SECTION 5. Loan Origination Fee.** In consideration of the Commitment, the Company agrees to pay to CoBank a loan origination fee in the amount of \$23,100. Such fee shall be due and payable on the date hereof.

**SECTION 6. Promissory Note.** The Company promises to repay the Loan to CoBank or order 240 equal, consecutive, monthly installments, each due on the 20<sup>th</sup> day of the month, with the first installment due on May 20, 2009, and the last installment due on April 20, 2029.. In addition to the above, the Company promises to pay to CoBank or order interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

**SECTION 7. Prepayment.** Subject to Section 10.01 of the MLA, the Company may, on one (or, in the case of fixed rate balances, three) Business Day's prior written notice, prepay all or any portion of the Loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

**SECTION 8. Security.** The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in Section 2.04 of the MLA.

**SECTION 9. Conditions Precedent.** In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the Loan to the Company hereunder is subject to the conditions precedent that CoBank shall have received each of the following (which in the case of instruments or documents, must be originals, duly executed, and in form and content acceptable to CoBank): (A) an amount, in immediately available funds, equal to all accrued interest owing under the Term Revolver to the date of the Loan, together with all prepayment and other charges (if any) owing under the Term Revolver; (B) an amended and restated comfort letter and agreement from Middlesex Water; (C) an amendment to the Mortgage (the "Mortgage Amendment"); (D) such evidence as CoBank shall require that the Mortgage Amendment has been recorded in all places where the Mortgage has been recorded; (E) a lien search conducted in the office of the Delaware Secretary of State showing that there are no Liens on any property of the Company other than Liens in favor of CoBank and Liens permitted under Section 6.01 of the MLA; (F) a duly executed Request for Loan; and (G) an endorsement to the "Title Policy" (as hereinafter defined) adding this Promissory Note and Supplement to the list of debt instruments secured by the Mortgage and insured under the Title Policy. For purposes hereof, the "Title Policy" shall mean that certain title insurance policy dated as of May 23, 2003 and issued by Stewart Title Guaranty Company, as endorsed to the date hereof.

**SECTION 10. Representations and Warranties.** In addition to the representations and warranties set forth in the MLA, the Company represents and warrants to CoBank that Appendix B to the Mortgage (as amended) sets forth all real property and interests in real property of the Company as of the date hereof, including without limitation, all real property on or under which the Company has a well, water treatment plant, or water storage facility.

**IN WITNESS WHEREOF**, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.

**CoBANK, ACB**

By: /s/Tokie Akrie

Title: Assistant Corporate Secretary

**TIDEWATER UTILITIES, INC.**

By: /s/A. Bruce O'Connor

Title: Treasurer

**PROMISSORY NOTE AND SUPPLEMENT**  
(Multiple Advance Term Loan Supplement)

**THIS PROMISSORY NOTE AND SUPPLEMENT** (this "Promissory Note and Supplement"), is entered into as of March 19, 2009, between **TIDEWATER UTILITIES, INC.**, a Delaware corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank"), and supplements that certain Master Loan Agreement dated as of May 23, 2003 (as amended or restated from time to time, the "MLA"). Capitalized terms used herein and not defined herein shall have the meanings given to those terms in the MLA.

**SECTION 1. The Commitment.** On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make loans (each a "Loan") to the Company during the period set forth below in an aggregate principal amount not to exceed \$15,000,000 (the "Commitment"). Under the Commitment, amounts borrowed and later repaid may not be reborrowed.

**SECTION 2. Purpose.** The purpose of the Commitment is to finance capital expenditures relating to the Company's water system and to refinance debt owing to Middlesex Water Company.

**SECTION 3. Term.** The term of the Commitment shall be from the date hereof, up to and including December 31, 2009, or such later date as CoBank may, in its sole discretion, authorize in writing.

**SECTION 4. Availability.** The Loans will be made available as provided in Section 2.02 of the MLA.

**SECTION 5. Interest.**

**(A) Interest Rate Options.** The Company agrees to pay interest on the unpaid principal balance of the Loans in accordance with one or more of the following interest rate options, as selected by the Company:

**(1) Weekly Quoted Variable Rate Option.** At a rate per annum equal to the rate of interest established by CoBank on the first Business Day of each week (the "Variable Rate Option"). The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

**(2) Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance (the "Quoted Fixed Rate Option"). Under this option, rates may be fixed on such balances and for such periods (each a "Quoted Fixed Rate Period") as may be agreeable to CoBank in its sole discretion in each instance; provided that: (1) rates may not be fixed for periods of less than 180 days; (2) rates may be fixed on balances of \$100,000 or multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

**(3) LIBOR Option.** At a fixed rate per annum equal to "LIBOR" (as hereinafter defined) plus 2.00% per annum (the "LIBOR Option"). Under this option: (1) rates may be fixed for "Interest Periods" (as hereinafter defined) of 1, 2, 3, or 6 months, as selected by the Company; (2) rates may be fixed on balances of \$100,000 or multiples thereof; (3) the maximum number of balances

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that may be fixed at any one time shall be five (5); (4) rates may only be fixed on a "Banking Day" (as hereinafter defined) on 3 Banking Days' prior notice; and (5) rates may not be fixed for Interest Periods expiring on or after the second anniversary of the date hereof, at which time this option shall cease to be in effect. For purposes hereof: (a) "LIBOR" shall mean the rate (rounded upward to the nearest sixteenth of a percentage point and adjusted for reserves required on "Eurocurrency Liabilities" (as hereinafter defined) for banks subject to "FRB Regulation D" (as hereinafter defined) or required by any other federal law or regulation) quoted by the British Bankers Association ("BBA") at 11:00 a.m. London time 2 Banking Days before the commencement of the Interest Period for the offering of U.S. dollar deposits in the London interbank market for the Interest Period designated by the Company, as published by Bloomberg or another major information vendor listed on BBA's official website; (b) "Banking Day" shall mean a day on which CoBank is open for business, dealings in U.S. dollar deposits are being carried out in the London interbank market, and banks are open for business in New York City and London, England; (c) "Interest Period" shall mean a period commencing on the date this option is to take effect and ending on the numerically corresponding day in the next calendar month or the month that is 2, 3, or 6 months thereafter, as the case may be; provided, however, that: (i) in the event such ending day is not a Banking Day, such period shall be extended to the next Banking Day unless such next Banking Day falls in the next calendar month, in which case it shall end on the preceding Banking Day; and (ii) if there is no numerically corresponding day in the month, then such period shall end on the last Banking Day in the relevant month; (d) "Eurocurrency Liabilities" shall have the meaning as set forth in FRB Regulation D; and (e) "FRB Regulation D" shall mean Regulation D as promulgated by the Board of Governors of the Federal Reserve System, 12 CFR Part 204, as amended.

**(B) Elections.** Subject to the limitations set forth above, the Company: (1) shall select the applicable rate option(s) at the time it requests a Loan; (2) may, on any Business Day, elect to convert balances bearing interest at the Variable Rate Option to the Quoted Fixed Rate Option; (3) may, on the last day of any Quoted Fixed Rate Period, elect to refix the rate under the Quoted Fixed Rate Option or convert the balance to the Variable Rate Option; (4) may, on the last day of any Interest Period, elect to convert balances bearing interest at the LIBOR Option to the Variable Rate Option or Quoted Fixed Rate Option; and (5) may, on three Banking Days' prior notice, elect to convert balances bearing interest at the Variable Rate Option or the Quoted Fixed Rate Option to the LIBOR Option or refix a rate under the LIBOR Option; provided, however, that balances bearing interest at the Quoted Fixed Rate Option or the LIBOR Option may not be converted or continued until the last day of the Quoted Fixed Rate Period or Interest Period applicable thereto. In the absence of an election provided for herein, the Company shall be deemed to have elected the Variable Rate Option. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 noon Company's local time on the applicable Business Day. Any election made telephonically shall be promptly confirmed in writing, if so requested by CoBank.

**(C) Calculation and Payment.** Interest shall be calculated on the actual number of days each Loan is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Loan is made shall be included and the date each Loan or installment thereof is repaid shall, if received before 3:00 P.M. Mountain time, be excluded. Interest shall be payable monthly in arrears by the twentieth (20<sup>th</sup>) day of the following month (or on such other day in such month as CoBank shall require in a written notice to the Company). Notwithstanding the foregoing, at CoBank's option, interest on any balance bearing interest at the LIBOR Option shall be payable on the last day of the Interest Period or, in the case of Interest Periods of longer than three months, at three month intervals.

**(D) Additional Provisions Regarding The LIBOR Option.** Notwithstanding any other provision hereof, CoBank shall have the right to temporarily suspend or permanently terminate the Company's ability to fix rates under the LIBOR Option or for one or more Interest Periods if, for any reason whatsoever (including a change in Law): (1) LIBOR is no longer being quoted in the London

interbank market or is no longer being quoted for an Interest Period; (2) CoBank is prohibited from offering rates based on LIBOR; or (3) CoBank's cost to fund balances bearing interest at the LIBOR Option (as determined by CoBank in its sole discretion) increases beyond any corresponding increase in LIBOR or decreases less than any corresponding decrease in LIBOR. In addition, if as a result of a change in Law or otherwise, CoBank is required to allocate additional capital to, or otherwise bear increase costs as a result of maintaining balances under, the LIBOR Option, the Company agrees to indemnify CoBank upon demand against all such costs.

**SECTION 6. Fees.** In consideration of the Commitment, the Company agrees to pay to CoBank a loan origination fee in the amount of \$49,500. Such fee shall be due and payable on the date hereof.

**SECTION 7. Promissory Note.** The Company promises to repay the Loans to CoBank or order in 240 equal, consecutive, monthly installments, each due on the 20<sup>th</sup> day of the month, with the first installment due on February 20, 2010, and the last installment due on January 20, 2030. In addition to the above, the Company promises to pay to CoBank or order interest on the unpaid principal balance of the Loans at the times and in accordance with the provisions set forth above. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

**SECTION 8. Prepayment.** Subject to Section 10.01 of the MLA, the Company may, on one (or, in the case of fixed rate balances, three) Business Day's prior written notice, prepay all or any portion of the Loans. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

**SECTION 9. Security.** The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in Section 2.04 of the MLA.

**SECTION 10. Conditions Precedent.** In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the initial Loan to the Company hereunder is subject to the conditions precedent that CoBank receive each of the following (which in the case of instruments or documents, must be originals, duly executed, and in form and content acceptable to CoBank): (A) an amended and restated comfort letter and agreement from Middlesex Water; (B) an amendment to the Mortgage (the "Mortgage Amendment"); (C) such evidence as CoBank shall require that the Mortgage Amendment has been recorded in all places where the Mortgage has been recorded; (D) a lien search conducted in the office of the Delaware Secretary of State showing that there are no Liens on any property of the Company other than Liens in favor of CoBank and Liens permitted under Section 6.01 of the MLA; and (E) an endorsement to the "Title Policy" (as hereinafter defined) adding this Promissory Note and Supplement to the list of debt instruments secured by the Mortgage covered by the Title Policy. For purposes hereof, the "Title Policy" shall mean that certain title insurance policy dated as of May 23, 2003 and issued by Stewart Title Guaranty Company, as endorsed to the date hereof.

**SECTION 11. Representations and Warranties.** In addition to the representations and warranties set forth in the MLA, the Company represents and warrants to CoBank that Appendix B to the Mortgage (as amended) sets forth all real property and interests in real property of the Company as of the date hereof, including without limitation, all real property on or under which the Company has a well, water treatment plant, or water storage facility.

**IN WITNESS WHEREOF**, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.



**CoBANK, ACB**

By: /s/Tokie Akrie

Title: Assistant Corporate Secretary

**TIDEWATER UTILITIES, INC.**

By: /s/A. Bruce O'Connor

Title: Treasurer

Tax Parcel No.: See Attached List of Parcel Numbers

Prepared by/Return to:  
Richards, Layton & Finger, P.A.  
P.O. Box 551  
Wilmington, DE 19899

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**AMENDMENT TO COMBINATION WATER UTILITY REAL ESTATE MORTGAGE  
AND SECURITY AGREEMENT**

BY

**TIDEWATER UTILITIES, INC.**  
1100 South Little Creek Road  
Dover, DE 19901

IN FAVOR OF

**COBANK, ACB**  
5500 South Quebec Street  
Greenwood Village, Colorado 80111

THE MORTGAGE GRANTS A SECURITY INTEREST  
BY A TRANSMITTING UTILITY

THE MORTGAGE CONTAINS AFTER ACQUIRED PROPERTY PROVISIONS  
AND SUCH AFTER ACQUIRED PROPERTY IS SECURED BY THE MORTGAGE

THIS AMENDMENT TO COMBINATION MORTGAGE AND SECURITY AGREEMENT  
MAY BE FILED AS A FINANCING STATEMENT AND MAY BE  
RECORDED IN THE REAL PROPERTY RECORDS

THIS AMENDMENT INCREASES THE AMOUNT THAT MAY BE SECURED BY THE  
MORTGAGE AND ADDS NEW DEBT TO THE DEBT SECURED BY THE MORTGAGE

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Kent County  
RLF1-3376860-1

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**LIST OF TAX PARCEL NUMBERS**

**New Castle County**

**Kent County**

**Sussex County**

|               |                           |                   |
|---------------|---------------------------|-------------------|
| 13-019.10-106 | NM 00-094.15-04-33.00-000 | 3-34.13.00-543.1  |
| 13-019.10-051 | NM 00-095.09-01-04.01-000 | 2-34.11.20-91.00  |
| 13-007.40-098 | ED-00-086.16-01-01.02-000 | 2-34-11.16-4.00   |
| 13-011.00-122 | ED-00-056.20-02-53.00-000 | 2-34.11.00-64.1   |
| 13-013.20-180 | SM-00-120.00-01-09.01-000 | 3-31-3.00-232.00  |
| 11-057.00-014 | SM-00-118.00-01-24.01-000 | 3-34-12.00-377.00 |
| 13-018.00-239 | WD-00-092.02-01-05.01-000 | 4-32-7.00-32.02   |
| 13-012.00-106 | NM-00-095.09-01-34.01-000 | 1-33-10.00-83.01  |
|               | ED-00-066.04-01-11.01-000 |                   |
|               | ED-00-066.04-01-04.01-000 |                   |
|               | ED-05-057.00-01-12.00-000 |                   |
|               | LC-03-046.00-01-07.23-000 |                   |
|               | DC-00-028.01-02-39.00-000 |                   |
|               | DC-00-028.03-07-30.00-000 |                   |

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**AMENDMENT TO COMBINATION WATER UTILITY REAL ESTATE MORTGAGE  
AND SECURITY AGREEMENT**

**THIS AMENDMENT TO COMBINATION WATER UTILITY REAL ESTATE MORTGAGE AND SECURITY AGREEMENT** (this "Amendment") is entered into as of March 19, 2009, between **TIDEWATER UTILITIES, INC.** (the "Company") and **CoBANK, ACB** ("CoBank").

**BACKGROUND**

CoBank and the Company are parties to a Combination Water Utility Mortgage and Security Agreement dated as of May 23, 2003, as amended by an Amendment to Combination Water Utility Real Estate Mortgage and Security Agreement dated as of September 28, 2004, and an Amendment to Combination Water Utility Real Estate Mortgage and Security Agreement dated April 22, 2005 (the "Mortgage"). The parties now desire to amend the Mortgage.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**SECTION 1. Amendments.**

- (A) Appendix A. Appendix A is hereby amended and restated as provided in Appendix A hereto.
- (B) Appendix B. Appendix B is hereby amended to add the property shown in Appendix B hereto.

**SECTION 2. Ratification.** Except as amended hereby, the Mortgage shall remain in full force and effect as written.

**IN WITNESS WHEREOF, TIDEWATER UTILITIES, INC.**, as Mortgagor, has caused this Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, all as of the day and year first above written.

**TIDEWATER UTILITIES, INC., Mortgagor**

Signed, sealed and delivered  
in the presence of:

/s/Kenneth J. Quinn  
Witness

By: /s/A. Bruce O'Connor (SEAL)  
Name: \_\_\_\_\_  
Title: Treasurer

Attest:

By: /s/Kenneth J. Quinn  
Name: \_\_\_\_\_  
Title: Secretary

STATE OF New Jersey            )  
  )  
COUNTY OF Middlesex         )

The foregoing instrument was acknowledged before me this 16th day of March, 2009, by A. Bruce O'Connor, as Treasurer of Tidewater Utilities, Inc., a Delaware corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year in first above written.

/s/Jill Herrighty  
Notary Public  
Name: \_\_\_\_\_  
My commission  
expires: \_\_\_\_\_

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**APPENDIX A - - CERTAIN OBLIGATIONS; ETC.**

1. The "Credit Agreements" referred to in Section 1.01 are as follows:
    - (A) Master Loan Agreement dated as of May 23, 2003 and numbered RX0024;
    - (B) Promissory Note and Supplement dated as of May 23, 2003 and numbered RX0024T1 in the principal amount of \$3,187,241.75;
    - (C) Promissory Note and Supplement dated as of May 23, 2003 and numbered RX0024T2 in the principal amount of \$10,500,000;
    - (D) Promissory Note and Supplement dated as of August 22, 2005, and numbered RX0024T3 in the principal amount of \$7,000,000;
    - (E) Promissory Note and Supplement dated as of August 22, 2005, and numbered RX0024T4 in the principal amount of \$7,000,000;
    - (F) Promissory Note and Supplement dated as of August 22, 2005, and numbered RX0024T5 in the principal amount of \$7,000,000;
    - (G) Promissory Note and Supplement dated as of March 19, 2009, and numbered RX0024T6 in the principal amount of \$10,000,000;
    - (H) Promissory Note and Supplement dated as of March 19, 2009, and numbered RX0024T7 in the principal amount of \$7,000,000;
    - (I) Promissory Note and Supplement dated as of March 19, 2009, and numbered RX0024T8 in the principal amount of \$15,000,000;
    - (J) All amendments to and restatements of any of the foregoing.
  
  2. The "Maximum Debt Limit" is: \$67,000,000.00 plus: (1) all accrued interest, prepayment premiums, fees and other charges owing to the Mortgagee; and (2) other sums as provided in Section 6.09 of the Mortgage.
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**APPENDIX B**

Parcel No: NM-00-095.09-01-34.01-000 (P/O Lot 122 and Well Site, Royal Grant)

ALL those two certain lots, pieces or parcels of land, situate in North Murderkill Hundred, Kent County and State of Delaware, Parcel No. 1 being part of Lot 122 as shown on the Record Subdivision Plan of ROYAL GRANT, Section 1, prepared by MCA Engineering Corporation, Engineers and Surveyors, of Newark, Delaware, dated August 3, 1975 and recorded in the Office for the Recording of Deeds, in and for Kent County, Delaware in Plat Book No. 14, Page 1, and Parcel No. 2 being the proposed 8' x 8' well pit as shown on the Site Plan, Proposed Water Well, Royal Grant, prepared by MCA Engineering, Division of Kidde Consultants, Inc., of Newark, Delaware, dated November 7, 1977, and revised November 16, 1977, said parcels being more particularly bounded and described as follows, to wit:

PARCEL NO. 1: BEGINNING at a point in the division line between the parcel herein described and "Dedicated Public Open Space to Kent County" as shown on said Plan of Royal Grant, Section 2, said point being distant the seven following courses and distances from the Northeasterly end of a 30.00 foot radius junction curve joining the Easterly side of Lordship Lane, at 60.00 feet wide, and the Southerly side of Delaware Route No. 10, at 150.00 feet wide: (1) along the said Southerly side of Delaware Route No. 10, Easterly along a curve to the right having a radius of 5654.58 feet, an arc distance of 74.51 feet to a point; (2) thence continuing along the said Southerly side of Delaware Route No. 10, North 83 degrees 36 minutes 00 seconds East, 31.20 feet to a point in the division line between Royal Grant, Section 2 and "Lands now or formerly of Bancroft & Thomas, Inc."; (3) thence thereby along the rear boundary line of Lots 169 and 168 and partly along the rear boundary line of Lot 167, South 13 degrees 34 minutes 00 seconds East, 200.00 feet to a point; (4) thence still thereby and partly along the rear boundary line of Lot 167 and along the rear boundary line of Lots 166, 165, 164 and 163 and partly along the rear boundary line of Lot 162; South 20 degrees 19 minutes 00 seconds East, 337.00 feet to a point in the division line between "Dedicated Public Open Space to Kent County" and "Lands now or formerly of Bancroft & Thomas, Inc." (5) thence thereby North 69 degrees 41 minutes 00 seconds East, 308.00 feet to a point; (6) thence still thereby South 20 degrees 19 minutes 00 seconds East, 160.40 feet to a point; and (7) thence still; thereby South 13 degrees 34 minutes 00 seconds East, 246.98 feet to a point, the point and place of Beginning; thence from said Beginning point, South 13 degrees 34 minutes 00 seconds East, 50.00 feet to a point; thence South 76 degrees 26 minutes 00 seconds West, 50.00 feet to a point; thence North 13 degrees 34 minutes 00 seconds West, 50.00 feet to a point; thence North 76 degrees 26 minutes 00 seconds East, 50.00 feet to a point, the point and place of Beginning.

PARCEL NO. 2: BEGINNING at a point in the Southerly side of Delaware Route 10, at 150 feet wide, said point being in the division line between Lot 122 and Lot 113; thence from said Beginning point, along the said division line between Lot 122 and Lot 113, and along the division line between Lot 122 and Lot 114, South 23 degrees 33 minutes 59 seconds East, 65.62 feet to a point in the division line between Lot 122 and Lot 121; thence thereby South 42 degrees 31 minutes 00 seconds West, 32.82 feet to a point; thence North 23 degrees 33 minutes 59 seconds West, 84.21 feet to a point in the said Southerly side of Delaware Route 10; thence

thereby North 76 degrees 26 minutes 00 seconds East, 30.46 feet to a point, the point and place of Beginning.

Parcel No: ED-00-066.04-01-11.01-000 (P/O Lot 11, Hunters Point)

ALL that certain lot, piece or parcel of land situated in East Dover Hundred, Kent County and State of Delaware, lying on the west side of Springfield Way, a short distance west of Parkway Drive, being bounded on the east in part by Lot #11 and in part by Springfield Way, on the south by Lot #12, on the west by lands of Albert F. Biddle, on the north by Lot #11, and being more particularly described as follows, to wit:

BEGINNING at a point in the west line of Springfield Way at a corner for this parcel and for Lot #12, said point of beginning being the following two (2) courses from the northwesterly end of a 25 foot radius junction curve joining the west line of Parkway Drive with the south line of Springfield Way: (1) running with the south line of Springfield Way North 76 degrees 21 minutes 48 seconds West, 343.17 feet; thence (2) running in a northerly direction with a 50 foot radius curve to the right an arc distance of 76.27 feet to the place of beginning; thence running from said point of beginning with Lot #12 North 76 degrees 19 minutes 25 seconds West, 117.0 feet to a point in line of lands of Albert F. Biddle; thence running with said lands of Albert F. Biddle North 00 degrees 36 minutes 21 seconds East, 30.80 feet to a corner for this parcel and for Lot #11; thence running with said Lot #11 on the following three (3) courses: (1) South 76 degrees 19 minutes 25 seconds East, 50.0 feet; thence (2) South 13 degrees 40 minutes 35 seconds West, 10.0 feet; thence (3) South 76 degrees 19 minutes 25 seconds East, 78.14 feet to a point in the west line of Springfield Way; thence running with said west line of Springfield Way in a southerly direction with a 50 foot radius curve to the left an arc distance of 20.58 feet to the point and place of beginning.

Parcel No: ED-00-066.04-01-04.01-000 (South side of CR 158, 5,999 sq. ft)

PARCEL NO. 1: ALL that certain lot, piece or parcel of land situated in East Dover Hundred, Kent County and State of Delaware, lying on the westerly side of Parkway Drive, a short distance south of County Road #158, being bounded on the east in part by Parkway Drive and in part by Lot #4, on the south by lands of R.I.P. being conveyed to Tidewater Utilities, Inc., on the west by lands of Albert F. Biddle, on the north by Lot #4, and being more particularly described as follows, to wit:

BEGINNING at a point in the west line of Parkway Drive at a corner for this parcel and for Lot #4, said point of beginning being the following four (4) courses from the southerly end of a 25 foot radius curve joining the south line of County Road #158 with the west line of Parkway Drive; (1) running with the west line of Parkway Drive South 00 degrees 34 minutes 12 seconds West, 265.0 feet; thence (2) running with the south line of Parkway Drive, South 89 degrees 25 minutes 48 seconds East, 5.0 feet; thence (3) running with the west line South 00 degrees 34 minutes 12 seconds West, 140.0 feet; thence (4) running in a southerly direction curving to the left on the arc of a circle having a radius of 250 feet an arc distance of 117.47 feet to the place of beginning; thence running from said point of beginning with the westerly line of Parkway Drive in a southerly direction curving to the left on the arc of a circle having a radius of 250.00 feet an arc distance of 8.0 feet to a corner for this parcel and for lands of R.I.P. being conveyed to Tidewater Utilities, Inc.; thence running with said lands of R.I.P. being conveyed to Tidewater



Utilities, Inc. South 60 degrees 34 minutes 12 seconds West 281.74 feet to a point in line of lands of Albert F. Biddle at a common corner for this parcel, for lands of R.I.P. being conveyed to Tidewater Utilities, Inc. and for Lot #11; thence running with said lands of Albert F. Biddle North 00 degrees 36 minutes 21 seconds East, 17.33 feet to a corner for this parcel and for Lot #4; thence running with said Lot #4 on the following three (3) courses: (1) North 60 degrees 34 minutes 12 seconds East, 41.33 feet; thence (2) South 29 degrees 25 minutes 48 seconds East, 7.0 feet; thence (3) North 60 degrees 34 minutes 12 seconds East, 231.87 feet to the point and place of beginning, be the contents thereof what they may.

**PARCEL NO. 2:** ALL that certain lot, piece or parcel of land situated in East Dover Hundred, Kent County and State of Delaware, lying on the westerly side of Parkway Drive, a short distance south of County Road #158, being bounded on the east in part by Parkway Drive and in part by Lot #5, on the south in part by Lot #11 and in part by Lot #5, on the north by lands of Michael Cote being conveyed to Tidewater Utilities, Inc., and being more particularly described as follows, to wit:

BEGINNING at a point in the west line of Parkway Drive at a corner for this parcel and for Lot #4, said point of beginning being the following four (4) courses from the southerly end of a 25 foot radius curve joining the south line of County Road #158 with the west line of Parkway Drive: (1) running with the west line of Parkway Drive South 00 degrees 34 minutes 12 seconds West, 265.0 feet; thence (2) running with the south line of Parkway Drive South 89 degrees 25 minutes 48 seconds East, 5.0 feet; thence (3) running with the west line South 00 degrees 34 minutes 12 seconds West, 140.0 feet; thence (4) running in a southerly direction curving to the left on the arc of a circle having a radius of 250 feet an arc distance of 125.47 feet to the place of beginning; thence running from said point of beginning with the westerly line of Parkway Drive in a southerly direction curving to the left on the arc of a circle having a radius of 250 feet an arc distance of 10.0 feet to a corner for this parcel and for lands of Michael Cote being conveyed to Tidewater Utilities, Inc.; thence running with said lands of Michael Cote being conveyed to Tidewater Utilities, Inc. on the following three (3) courses: (1) South 60 degrees 34 minutes 12 seconds West, 231.94 feet; thence (2) South 29 degrees 25 minutes 48 seconds East, 5.0 feet; thence (3) South 60 degrees 34 minutes 12 seconds West, 40.50 feet to a point in line of Lot #11; thence running with said Lot #11 North 61 degrees 46 minutes 39 seconds West, 17.76 feet to a point in line of lands of Albert F. Biddle at a common corner for this parcel, for said Lot #11 and for lands of Michael Cote being conveyed to Tidewater Utilities, Inc.; thence running with said lands being conveyed to Tidewater Utilities, Inc. North 60 degrees 34 minutes 12 seconds East, 281.74 feet to the point and place of beginning, be the contents thereof what they may.

Parcel No: ED-05-057.00-01-12.00-000 (East of but not adjacent to US Rt. 13, Dover)

ALL that certain piece and parcel of land and premises situated in East Dover Hundred, Kent County, Delaware, east of but not adjacent to U.S. Rt. 13, more particularly described as follows, to wit:

BEGINNING at a point which is the northeast corner of the State of Delaware lands used as the Delaware State Police Station at a concrete monument, said point also being North fifty-two (52) degrees three (3) minutes East of and Five Hundred (500) feet from the East right of way line of U.S. Rt. 13; thence from said beginning point North fifty-two (52) degrees, twenty-three (23) minutes East One Hundred Twenty (120) ft. to a new corner now established; thence

South forty (40) degrees, fifteen (15) minutes East One Hundred Twenty (120) ft. to another new corner now established; thence South fifty-two (52) degrees, twenty-three (23) minutes West One Hundred Twenty (120) ft. to the East line of lands of the State of Delaware; thence North forty (40) degrees, fifteen (15) minutes West and binding with State of Delaware lands to the place of beginning.

Parcel No: LC-03-046.00-01-07.23-000 (Holly Oak Lane, Central Delaware Business Park)

ALL that parcel of land situate in the Town of Cheswold, Little Creek Hundred, Kent County, State of Delaware, being a portion of Lot 7 of the Central Delaware Business Park for which the Record Plan for the same is recorded in the Office of the Recorder of Deeds, in and for Kent County, Delaware in Plat Book 77, Page 80, said parcel being more particularly bounded and described as follows, to wit:

BEGINNING for the same at a point on the westerly line of Holly Oak Lane, an 80.00 foot wide private right-of-way, the northeasterly corner for the herein described parcel and a common corner with lands now or formerly of Harvey L. and Stephanie G. Reed (D.R. A-47-242); thence, from the said point of Beginning and with the division line for lands of said Reed South 71 degrees 52 minutes 04 seconds West, 189.42 feet to a point; thence along new lines hereby created separating these lands from remaining lands of the aforementioned Lot No. 7 the following two (2) courses and distances: (1) South 18 degrees 07 minutes 56 seconds East, 110.00 feet to a point; thence (2) North 71 degrees 52 minutes 04 seconds East, 185.00 feet to a point intersecting the arc of a curve for the aforementioned westerly right-of-way line of Holly Oak Lane; thence, with the same along a 457.87 foot radius curve to the right, said curve having a chord bearing of North 19 degrees 35 minutes 52 seconds West and a chord distance of 110.09 feet, an arc distance of 110.36 feet to a point, the place of Beginning.

Parcel No: DC-00-028.01-02-39.00-000 (Lot E, Willowood Subdivision)

ALL the following parcels of real property, as described by that certain survey and metes and bounds description prepared by Morris & Ritchie Associates, Inc. dated September 27, 2004 as follows:

PARCEL NO. 1: BEGINNING for the first at a pin and cap to be set in and distant 404.48 feet from a 1 ½ inch pipe heretofore set at the end of the sixth or North 33 degrees 38 minutes 42 seconds West, 795.04 foot line of a deed from Joseph F. Wick and Patricia W. Wick to Frederick J. Wick, dated January 19, 1977 and recorded in the Office of the Recorder of Deeds, in and for Kent County, Delaware in Deed Book F, Volume 31, Page 371, said pin and cap also being in and distant 254.48 feet from the beginning of the eighteenth or South 33 degrees 38 minutes 42 seconds East, 300.00 foot line of Parcel No. 2 of a deed from Joseph F. Wick and Patricia W. Wick to Joseph F. Wick and Patricia W. Wick, dated August 20, 1992 and recorded in the aforesaid Office of the Recorder of Deeds in Deed Book Y, Volume 51, Page 13, thence binding reversly on part of the said sixth line of the first mentioned deed and binding also on part of the said eighteenth line of second mentioned deed, as now surveyed, with bearings referred to the Delaware Coordinate System (NAD 83/86), (1) South 45 degrees 29 minutes 57 seconds East, 45.52 feet to a pinch pipe heretofore set at the beginning of the nineteenth line of the second mentioned deed, said pinch pipe being also at the end of the third or North 46 degrees 49 minutes 13 seconds East 50.00 foot line of Parcel A of a deed from Charles M. Ewing and Dorothy Mae Ewing to Tidewater Utilities, Inc., dated June 22, 1978 and recorded in the

aforesaid Office of the Recorder of Deeds in Deed Book T, Volume 32, Page 112; thence binding on part of the nineteenth line of the second mentioned deed and binding also reversely on part of the third line of the last mentioned deed, (2) South 44 degrees 30 minutes 03 seconds West, 10.00 feet to a point; thence running through and across the second mentioned deed, two courses, viz: (3) North 45 degrees 29 minutes 57 seconds West, 45.39 feet to a point; and (4) North 43 degrees 44 minutes 26 seconds East, 10.00 feet to the place of beginning.

PARCEL NO. 2: BEGINNING for the second at point at the beginning of the first or South 46 degrees 49 minutes 13 seconds West, 50.00 feet of Parcel A of a deed from Charles M. Ewing and Dorothy Mae Ewing to Tidewater Utilities, Inc., dated June 22, 1978 and recorded in the Office of the Recorder of Deeds, in and for Kent County, Delaware in Deed Book T, Volume 32, Page 112, said point being also at the beginning of the twenty-second or South 33 degrees 38 minutes 42 seconds East, 295.04 foot line of Parcel No. 2 of a deed from Joseph F. Wick and Patricia W. Wick to Joseph F. Wick and Patricia W. Wick, dated August 20, 1992 and recorded in the aforesaid Office of the Recorder of Deeds in Deed Book Y, Volume 51, Page 13, said point being also in and distant 289.01 feet from the beginning of the sixth or North 33 degrees 38 minutes 42 seconds West, 795.04 foot line of a deed from Joseph F. Wick and Patricia W. Wick to Frederick J. Wick, dated January 19, 1977 and recorded in the aforesaid Office of the Recorder of Deeds in Deed Book F, Volume 31, Page 371, thence binding on part of the said twenty-second line of the second mentioned deed and binding also reversely on part of the said sixth line of the third mentioned deed, as now surveyed, with bearings referred to the Delaware Coordinate System (NAD83/86), (1) South 45 degrees 29 minutes 57 seconds East, 25.74 feet to a point of curvature, thence running for new lines of division through the aforesaid Parcel No. 2 of the second mentioned deed, two courses, viz: (2) By a non-tangent curve to the left having a radius of 375.00 feet an arc length of 10.00 feet, said curve being subtended by a chord bearing 43 degrees 14 minutes 22 seconds West, 10.00 feet to a point, and (3) North 45 degrees 29 minutes 57 seconds West, 25.96 feet to intersect the aforesaid first line of the first mentioned Parcel A and to intersect the twenty-first line of the second mentioned deed, thence binding reversely on part of the said first line to its beginning and binding on the remainder of the said twenty-first line, (4) North 44 degrees 30 minutes 03 seconds East, 10.00 feet to the place of beginning.

Parcel No: DC-00-028.03-07-30.00-000 (Lot D, Willowwood Subdivision)

ALL the following parcels of real property, as described by that certain survey and metes and bounds description prepared by Morris & Ritchie Associates, Inc., dated September 27, 2004 as follows:

PARCEL NO. 1: BEGINNING for the first at a pin and cap to be set in and distant 404.48 feet from a 1 ½ inch pipe found at the end of the sixth or North 33 degrees 38 minutes 42 seconds West, 795.04 foot line of a deed from Joseph F. Wick and Patricia W. Wick to Frederick J. Wick, dated January 19, 1977 and recorded in the Office of the Recorder of Deeds in and for Kent County, Delaware in Deed Book F, Volume 31, Page 371, said pin and cap also being in and distant 254.48 feet from the beginning of the eighteenth or South 33 degrees 38 minutes 42 seconds East, 300.00 foot line of Parcel No. 2 of a deed from Joseph F. Wick and Patricia W. Wick to Joseph F. Wick and Patricia W. Wick, dated August 20, 1992 and recorded in the aforesaid Office of the Recorder of Deeds in Deed Book Y, Volume 51, Page 13, thence running for new lines of division through and across the first mentioned deed, as now surveyed, with

bearings referred to the Delaware Coordinate System (NAD'83/86), three courses, viz: (1) North 43 degrees 44 minutes 26 seconds East, 47.17 feet to a pin and cap to be set; (2) South 58 degrees 56 minutes 16 seconds East 115.00 feet to a pin and cap to be set at a point of curvature, and (3) by a non-tangent curve to the right with a radius of 375.00 feet and an arc length of 74.70, said curve being subtended by a chord bearing South 36 degrees 46 minutes 08 seconds West, 74.57 feet, to a pin and cap to be set, said pin and cap being in the aforesaid sixth line of the first mentioned deed, said pin and cap also being in the twenty-second line of the second mentioned deed, thence binding on part of the said sixth line and binding reversely on the said twenty-second line, (4) North 45 degrees 29 minutes 57 seconds West, 25.74 feet to a point at the end of the four or South 33 degrees 10 minutes 47 seconds East, 50.00 foot line of Parcel A of a deed from Charles M. Ewing and Dorothy Mae Ewing to Tidewater Utilities, Inc., dated June 22, 1978 and recorded in the Office of the Recorder of Deeds in Deed Book T, Volume 32, Page 112, thence binding reversely on the said fourth line and continuing to bind on part of the aforesaid sixth line of the first mentioned deed; (5) North 45 degrees 29 minutes 57 seconds West, continuing the same course, 50.00 feet to a pinch pipe heretofore set at the beginning of the said fourth line of the third mentioned deed, said pinch pipe also being at the end of the aforesaid eighteenth line of the second mentioned deed, thence binding reversely on part of the said eighteenth line and continuing to bind on part of the aforesaid sixth line of the first mentioned deed, (6) North 45 degrees 29 minutes 57 seconds West, continuing the same course, 45.52 feet to the place of beginning.

PARCEL NO. 2: BEGINNING for the second at a 1 ½ inch pipe heretofore set at the beginning of the seventh or South 63 degrees 21 minutes 18 seconds West, 889.09 foot line of a deed from Joseph F. Wick and Patricia W. Wick to Frederick J. Wick, dated January 19, 1977 and recorded in the Office of the Recorder of Deeds in and for Kent County, Delaware in Deed Book F, Volume 31, Page 371, said 1 ½ inch pipe also being at the end of the third or North 64 degrees 05 minutes 12 seconds East, 150.00 foot line of Parcel B of a deed from Charles M. Ewing and Dorothy Mae Ewing to Tidewater Utilities, Inc., dated June 22, 1978, and recorded in the said Office of the Recorder of Deeds in Deed Book T, Volume 32, Page 112, thence binding on part of the seventh line of the first mentioned deed and binding also reversely on the third line of the second mentioned deed, as now surveyed, with bearings referred to the Delaware Coordinate System (NAD'83/86); (1) South 51 degrees 28 minutes 33 seconds West, 150.00 feet to a concrete monument heretofore set, thence running for new lines of division through the first mentioned deed, four courses, viz: (2) North 39 degrees 59 minutes 04 seconds West, 19.63 feet to a pin and cap to be set; (3) North 50 degrees 00 minutes 56 seconds East, 157.81 feet to a pin and cap to be set; (4) South 45 degrees 56 minutes 24 seconds East, 173.99 feet to a pin and cap to be set; and (5) South 51 degrees 28 minutes 33 seconds West, 10.07 feet to a 3 inch pipe heretofore set at the end of the fourth line of the second mentioned deed, said pipe also being in the sixth line of the first mentioned deed, thence binding reversely on the said fourth line and binding also on part of the said sixth line; (6) North 45 degrees 29 minutes 57 seconds West, 150.00 feet to the place of beginning.

**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 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: May 11, 2009

**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 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: May 11, 2009

**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

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Dennis W. Doll  
Chief Executive Officer

Date: May 11, 2009

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.

**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: May 11, 2009

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.