

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

NEW JERSEY

22-1114430

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1500 RONSON ROAD, ISELIN, NEW JERSEY 08830
(732) 634-1500

(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)

MARION F. REYNOLDS
VICE PRESIDENT, SECRETARY AND TREASURER
MIDDLESEX WATER COMPANY
1500 RONSON ROAD, ISELIN, NEW JERSEY 08830-3020
(732) 634-1500

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

WITH COPIES TO:

PETER D. HUTCHEON, ESQ.

JOHN L. GILLIS, JR., ESQ.

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered
pursuant to dividend or reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box. []

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act of 1933, please check the
following box and list the Securities Act registration statement number of
the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box. []

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock	517,000 shares	\$22.25	\$11,503,250	\$3,198.00

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- (1) Includes 67,000 shares which may be purchased by the Underwriters to cover over-allotments, if any.
 - (2) Solely for purposes of calculating the registration fee, a proposed offering price of \$22.25 per share has been assumed in accordance with Rule 457(c), which was the average of the high and low prices of the Common Stock as reported by the Nasdaq National Market System on October 27, 1998.
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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 3, 1998

PROSPECTUS

[LOGO]

MIDDLESEX WATER COMPANY

450,000 SHARES COMMON STOCK (WITHOUT PAR VALUE)

Our Common Stock is quoted on the Nasdaq National Market under the symbol, "MSEX." On October 30, 1998, the last reported sale price of the Common Stock on Nasdaq was \$22.25 per share. See "COMMON STOCK PRICE RANGE AND DIVIDENDS."

BEFORE INVESTING IN THE COMMON STOCK, YOU SHOULD REVIEW THE SECTION OF THIS PROSPECTUS CALLED "RISK FACTORS" WHICH BEGINS ON PAGE 6.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO THE COMPANY(2)
Per Share	\$	\$	\$
Total(3)	\$	\$	\$

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- (1) We have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
 - (2) Before deducting expenses of the offering payable by us estimated at \$135,000.
 - (3) We have granted to the Underwriters an option, exercisable within 30 days after the date of this Prospectus, to purchase up to 67,000 additional shares of Common Stock upon the same terms and conditions as the shares offered hereby to cover over-allotments, if any. If the Underwriters exercise such option in full, the total Price to Public, Underwriting Discounts and Commissions, and Proceeds to the Company will be increased to \$_____, \$_____ and \$_____, respectively. See "Underwriting."
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The Underwriters are offering the shares of Common Stock subject to prior sale and their acceptance of the shares from us. Our sale of the shares of Common Stock to the Underwriters is subject to a number of conditions. The Underwriters

expect to deliver the shares of Common Stock to purchasers at the offices of Edward D. Jones & Co., L.P. in St. Louis, Missouri, on or about December , 1998.

EDWARD D. JONES & CO., L.P.

JANNEY MONTGOMERY SCOTT INC.

The date of this Prospectus is _____, 1998

[MAP
OF
SERVICE
AREA]

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CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING SYNDICATE COVERING TRANSACTIONS AND THE IMPOSITION OF A PENALTY BID. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON NASDAQ IN ACCORDANCE WITH RULE 103 OF REGULATION M. SEE "UNDERWRITING."

PROSPECTUS SUMMARY

This Prospectus Summary calls your attention to selected information in this document, but may not contain all the information that is important to you. Unless otherwise indicated we have assumed, in presenting information about outstanding shares of common stock, including per share information, that the Underwriters' over-allotment option will not be exercised. To understand the offering fully and for a more complete description of the offering you should read this entire document carefully, including especially the "Risk Factors" section, as well as the documents we have referred you to. See "Incorporation of Certain Documents by Reference."

OUR COMPANY

Middlesex Water Company ("Middlesex Water") has operated as a regulated water utility in central New Jersey since 1897. Since 1992, Middlesex Water has acquired water systems in other parts of New Jersey and in Delaware, and today has five operating subsidiaries, one of which has two subsidiaries of its own. We will refer to Middlesex Water and its subsidiaries as the "Company" in this Prospectus.

Our primary business is treating, and distributing water on a retail basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. We also provide water and treatment services on a wholesale basis under contract to five municipalities and two municipal utilities authorities. Under a contract with the City of South Amboy, New Jersey, we operate and maintain that City's 2,600 customer water system. As of September 30, 1998, we served approximately 66,000 retail customers and seven contract customers. We also operate a wastewater system serving 2,200 retail customers and, under contract, a municipal wastewater system in New Jersey.

We are regulated as to rates charged to customers for water and wastewater services, as to the quality of water we provide and as to certain other matters. Our revenues and income are significantly affected by the timing and amounts of rate increases approved by regulatory authorities. See "RISK FACTORS--Our Business is Subject to Rate Regulation" and "THE COMPANY--Regulation."

OUR STRATEGY

To support our existing and expanding operations, we strive to maintain and strengthen our position as a reliable supplier of quality water in all of our systems. We will continue to seek new service areas and to consider acquisitions of other water and wastewater systems. In addition, we will try to contract with municipalities to operate and manage their water systems. We also plan to continue to increase our customer base in New Jersey and Delaware. We may also seek to acquire companies in water- and wastewater-related businesses that are not regulated utilities.

MAINTAIN AND STRENGTHEN OUR POSITION AS A PROVIDER OF QUALITY WATER. We believe that we meet or exceed all primary regulatory requirements for water quality. We also believe that we have adequate supplies to provide water in sufficient quantities to meet our customers' current requirements in all of our service areas. In order to maintain and improve our ability to provide quality water in sufficient quantities, we regularly upgrade our facilities. We are currently upgrading and expanding our Carl J. Olsen Water Treatment Plant (which we will refer to as the "CJO Plant") in Edison, New Jersey in order to meet more stringent regulatory requirements anticipated for water quality and to increase our capacity to meet peak-day demands for water in the utility system serviced by the CJO Plant. We will refer to the upgrading and expansion of the CJO Plant as the "Project". See "THE PROJECT." We will also continue to improve our central New Jersey distribution system by cleaning and cement lining unlined pipe.

INCREASE CONTRACT SERVICES. We currently operate and maintain the 2,600 customer water system of the City of South Amboy, New Jersey under a 1995 contract with that city which is renewable at five year intervals. We are negotiating a contract with another New Jersey municipality to operate and maintain its water and wastewater systems. If negotiations are successful, we may enter into a subcontract with an experienced sewer contractor for the operation and maintenance of the wastewater system. We are also currently negotiating with a third New Jersey municipality to enter into a multi-year treating and pumping contract. Because we believe contracts with municipalities provide another way for us to expand our service territories and increase the number of customers we serve, we continue to seek opportunities to enter into contracts with additional municipalities to operate their water systems.

INCREASE CUSTOMER BASE. Since 1992, we have increased our retail customer base in Delaware from approximately 3,000 to approximately 11,000 today through acquisitions and customer growth. We have also acquired a 2,200 customer water utility and a 2,200 customer wastewater utility in Burlington County, New Jersey. We will continue to seek opportunities to increase our customer base by acquiring additional service areas, water utilities and other water- or wastewater-related companies in New Jersey and Delaware. There is significant economic development and population growth near several of our Delaware service

areas.

OUR ADDRESS AND TELEPHONE NUMBER

Our executive offices are located at 1500 Ronson Road, Iselin, New Jersey
08830-3020 and our telephone number is (732) 634-1500.

THE OFFERING

Common Stock, no par value	450,000 Shares
Common Stock to be outstanding after the offering	4,818,847 Shares
Nasdaq symbol	MSEX
Common Stock 52-week price range (through October 30, 1998)	\$18-\$24
Annualized dividend rate (1)	\$1.18 per Share.
Use of proceeds	We will use most of the net proceeds of this offering to fund part of the cost of the upgrade and expansion of our CJO Plant in Edison, New Jersey. See "THE PROJECT." We will use the remaining net proceeds of this offering for general corporate purposes.

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(1) The annualized dividend rate gives effect to the increase announced October 22, 1998, in our quarterly dividend to \$0.295 per share, payable to shareholders of record November 16, 1998. We also have a Dividend Reinvestment and Common Stock Purchase Plan. See "DESCRIPTION OF COMMON STOCK" and "DIVIDEND REINVESTMENT PLAN."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION
(In thousands, except share and per share data)

This summary of financial information as of, and for the years ended, December 31, 1995, 1996 and 1997 was taken from and should be read along with the additional financial statements contained in our most recent Annual Report on Form 10-K. Information as of, and for the periods ended, September 30, 1997 and 1998 was taken from financial statements that have not been audited but which, we believe, fairly present our financial position and results of operations for those periods and should be read along with our most recently filed Quarterly Reports on Form 10-Q. See "WHERE YOU CAN FIND MORE INFORMATION."

CONSOLIDATED INCOME STATEMENT DATA:

	Nine Months Ended September 30,		Year Ended December 31,		
	1998	1997	1997	1996	1995
Operating Revenues	\$ 32,434	\$ 30,241	\$ 40,294	\$ 38,025	\$ 37,847
Operating Expenses	25,241	23,544	31,526	29,802	29,184
Net Income	5,185	4,487	5,861	5,168	5,704
Earnings Applicable to Common Stock	4,946	4,341	5,635	5,009	5,545
Earnings per Share of Common Stock:					
Basic	\$1.14	\$1.03	\$1.33	\$1.20	\$1.36
Diluted	1.13	1.02	1.33	1.20	1.36
Dividends Paid per Share	\$.855	\$.84	\$1.125	\$1.105	\$1.085
Average Number of Shares Outstanding					
Basic	4,326,337	4,226,241	4,235,082	4,169,334	4,078,890
Diluted	4,552,763	4,346,792	4,382,345	4,258,740	4,168,296

CONSOLIDATED BALANCE SHEET DATA:

	As of September 30,		As of December 31,		
	1998	1997	1997	1996	1995
Total Assets	\$191,415	\$156,706	\$159,761	\$148,660	\$144,822
Utility Plant - Net	152,045	130,853	135,071	121,245	117,933
Common Equity	54,330	50,839	51,226	49,216	47,644
Convertible Preferred Stock	3,894	3,896	3,894	1,565	1,565
Nonredeemable Preferred Stock	1,102	1,102	1,102	1,102	1,102
Long-term Debt (excluding current portion)	75,884	52,929	52,918	52,961	52,960

RISK FACTORS

We have described for you below some risks involved in investing in the Common Stock offered under this Prospectus. A word of caution: the list is not a complete list of every risk. You should carefully consider each of the following factors and all of the information both in this Prospectus and in the other documents we have filed with the Securities and Exchange Commission which are incorporated in this Prospectus by reference.

OUR BUSINESS IS SUBJECT TO RATE REGULATION. The New Jersey Board of Public Utilities, which we call the "BPU" in this Prospectus, regulates all of our public utility companies in New Jersey. The BPU regulates these utilities with respect to rates and charges for service, classification of accounts, awards of new service territory, acquisitions and other matters. That means, for example, that we cannot raise the rates we charge to our customers without first filing a petition with the BPU and going through a lengthy administrative and hearing process. In much the same way, the Delaware Public Service Commission, which we call the "PSC" in this Prospectus, regulates our public utility companies in Delaware. We cannot give assurances of when we or our subsidiaries will request approval for any such matter, nor can we predict whether the BPU or PSC will approve, deny or reduce the amount of any such requests. See "THE COMPANY -- Regulation -- Regulation of Rates and Services."

WE ARE SUBJECT TO ENVIRONMENTAL AND OTHER GOVERNMENTAL LAWS AND REGULATION. The U.S. Government, New Jersey, Delaware and local agencies regulate many aspects of our business. Among the most important of these are our water diversion rights, our water quality and other environmental matters. We believe that all of our systems are currently in compliance in all important respects with these regulations. We cannot predict, however, whether we will be able to continue to comply with these laws and regulations as they may change in the future. If we fail to comply with government regulations, it could have a material adverse effect on our financial condition and our ability to earn income, which we refer to in this Prospectus as "results of operations."

Federal, state and local governments also regulate the quality of water we supply to our customers, as well as our water supply, treatment and distribution systems. We believe that all of our systems are currently in compliance in all important respects with the primary water quality regulations. Government agencies continually review these regulations and may propose new, more restrictive requirements in the future. These may include stricter limitations on the permissible levels of certain chemicals and compounds in the water. We do not know what the costs may be to meet stricter limits, if adopted as new laws or regulations. Those costs could be very high and may adversely affect our financial condition and results of operations. See "RISK FACTORS -- Our Business Is Subject To Rate Regulation" and "THE COMPANY -- Regulation -- Water Quality and Environmental Regulations."

The BPU requires that we conduct management audits on a periodic basis. We either have completed or are in the process of completing changes recommended by the BPU in response to our most recent management audit. We do not believe any of the recommended changes will materially or adversely affect us or our operations. There can be no assurance, however, that future audits will not result in changes which materially and adversely affect our financial condition and results of operations.

WE HAVE LONG-TERM CONTRACTUAL OBLIGATIONS FOR WATER AND WASTEWATER SYSTEM OPERATION AND MAINTENANCE. We and certain of our subsidiaries have, or are negotiating to enter into, multi-year contracts to operate and maintain water systems and wastewater systems. See "THE COMPANY -- Strategy -- Increase Contract Services." None of these contracts protect us or our subsidiaries against incurring costs in excess of payments we will receive. While we do not currently anticipate any cost overruns, there can be no assurance that we will not experience losses under these contracts. In addition, these contracts may involve leased municipal employees, which unlike our own employees, are members of unions who have collective bargaining agreements with their municipal employers. Any losses or labor difficulties under these contracts may have a material adverse effect on our financial condition and results of operations.

WE REQUIRE FINANCING FOR EXPANSION AND CONSTRUCTION. We need money to continue our expansion efforts and to fund our construction program. With the proceeds from this offering and funds already received from bond issuances, as well as existing lines of credit from banks, we believe we have sufficient funds to support planned capital expenditures through 2000. See "MANAGEMENT'S DISCUSSION AND ANALYSIS-- Liquidity and Capital Resources." We may find in the future that sufficient capital is not available, or that the cost of capital is too high for future expansion and construction.

Any failure to obtain adequate capital to finance our expansion and construction programs could have a material adverse effect on our financial condition and results of operations.

WE ARE DEPENDENT UPON OUR WATER SUPPLY. Our ability to meet the existing and future water demands of our customers is dependent upon an adequate supply of water. Unexpected conditions may interfere with our sources of water supply. Drought and overuse of underground aquifers may limit the availability of ground water as a source of water supply. These factors might adversely affect our ability to supply water in sufficient quantity to our customers. In Burlington County, New Jersey and in Delaware. Any interruption in our water supply could have a material adverse effect on our financial condition and results of operations. See "THE COMPANY -- Water Supplies and Contracts."

WE HAVE COMPETITION FROM OTHER UTILITIES AND PRIVATIZATION. We face the risks of competition from other utilities authorized by federal, state or local agencies. Once a utility regulator grants a service territory to a utility, that utility is usually the only one permitted to service that territory. Although a new territory offers some protection against competitors, the pursuit of additional service territories is competitive, especially in Delaware. Competing utilities may challenge any future application by the Company for new service territories. Third parties may also seek to expand their water service by taking over and/or entering into long-term agreements to operate municipal systems. Those developments, which we call privatization, might adversely affect the Company and its long-term contracts to supply water on a wholesale basis to municipalities. See "THE COMPANY -- Competition" and "--Regulation."

WE ARE SUBJECT TO YEAR 2000 SYSTEM RISK. Software used in many computer systems and computerized control devices was designed to record only the last two digits of each year. This software, some of which we own, may not function properly as of January 1, 2000 because it interprets the new year as 1900. We have evaluated our own computer systems, to make certain that those systems will work properly when 1999 becomes 2000. We have also requested certification of Year 2000 compliance from the vendor of the new Supervisory Control And Data Acquisition system (which we refer to as "SCADA" in this Prospectus), as well as the principal vendors of data processing serving our financial reporting, payroll, billing, customer information and shareholder record systems. The vendors have certified that their systems have been tested and will work properly. We believe we may reasonably rely on those certifications. We also expect to spend up to \$10,000 to bring other operating systems, including our network of desktop personal computers, into Year 2000 compliance. Nonetheless, we may not have identified every computerized control device of ours which may be affected by the Year 2000. Even if identified, we may not be able to reprogram or replace those devices before January 1, 2000. More importantly, we cannot assess the impact on us of failures of computer systems and control devices used by others. We are especially concerned about third parties who provide significant services and materials to process, treat and distribute water and to process, treat and dispose of wastewater, and about the possible failure of electric power and telecommunications or the inability to obtain diesel fuel for the Company's stand-by generators. The occurrence of any such Year 2000-related problem could have a material adverse effect on our financial condition and results of operations.

WE HAVE RESTRICTIONS ON DIVIDENDS. Our Restated Certificate of Incorporation and our Indenture of Mortgage dated as of April 1, 1927, as supplemented since then, which we call the "Mortgage" in this Prospectus, impose conditions on our ability to pay dividends. We have paid dividends on our Common Stock each year since 1912 and have increased the amount of dividends paid each year since 1973. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on Common Stock and the amount of those dividends. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends. See "DESCRIPTION OF COMMON STOCK" and "PRICE RANGE OF COMMON STOCK AND DIVIDENDS."

WE ARE SUBJECT TO ANTI-TAKEOVER MEASURES. Subsection 10A of the New Jersey Business Corporation Act, known as the Shareholder Protection Act, applies to us. The Shareholder Protection Act deters merger proposals, tender offers or other attempts to effect changes in control of the Company that are not negotiated and approved by our Board of Directors. In addition, we have a classified Board of Directors, which means only one third of the Directors are elected each year. A classified Board can make it harder for an acquirer to gain control by voting its candidates onto the Board of Directors and may also deter merger proposals and tender offers. Our Board of Directors also has the ability, subject to obtaining BPU approval, to issue one or more series of preferred stock having such number of shares, designation, preferences, voting rights, limitations and other rights as the Board of Directors may fix. This could be used to discourage, delay or prevent an acquisition. See "DESCRIPTION OF COMMON STOCK."

FORWARD LOOKING STATEMENTS

We discuss certain matters in this document which are not historical facts, but which are "forward looking statements." We intend these "forward looking statements" to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These "forward looking statements" include, but are not limited to, future plans, objectives, expectations and events concerning various matters such as capital expenditures, earnings, litigation, growth potential, and rate and other regulatory matters. The "forward looking statements" in this Prospectus reflect what we currently anticipate will happen in each case. What actually happens could differ materially from what we currently anticipate will happen. We are not promising to make any public announcement when we think "forward looking statements" in this document are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason.

USE OF PROCEEDS

The net proceeds from the sale of the 450,000 shares of Common Stock offered by this Prospectus, after deducting the Underwriters' discount and estimated offering expenses, are estimated to be \$9,466,987 (\$10,896,616 if the Underwriters' over-allotment option is exercised in full). The Company expects to use approximately \$7,100,000 of the net proceeds to fund a portion of the \$38 million estimated cost of the Project. The balance of the net proceeds, approximately \$2,366,987, will be used for general corporate purposes. The remaining costs of the Project have been financed by (i) the proceeds of the issuance in March 1998, of the Company's \$23 million, 5.35% Series W Mortgage Bond issued in March, 1998 and (ii) \$7.9 million from operations of the Company.

THE PROJECT

The Project is a construction project consisting of the upgrade, expansion and addition of facilities at the CJO Plant, the Company's principal water treatment facility, and related water intake station for our utility system in central New Jersey. The Project includes the installation of new flash mixers and new chemical storage and feed facilities. The existing conventional sedimentation basins are being replaced by high rate upflow clarifiers that are intended to remove turbidity more effectively. The chlorine application point is being relocated from preclarification to postclarification. The existing sedimentation basins are to be used as chlorine contact basins. Four additional filters are being added to the CJO Plant, a new laboratory is being constructed, and a computerized SCADA system is being added to monitor and control the CJO Plant and our water supply and distribution system in central New Jersey. Upgrades are also being made to the heating, ventilating, air conditioning and the electrical system at the CJO Plant and to the pumping equipment at our raw water pump station.

The Project will upgrade the CJO Plant to meet the new and anticipated regulatory changes concerning water quality, as well as increase capacity to meet peak day demands. The firm capacity of the CJO Plant is being increased from about 30 million gallons per day, or "mgd" as we call it in this Prospectus, to 45mgd (we define firm capacity as the capacity when the largest unit is out of service).

The Project also involves changes to the raw water pump station which delivers water from the Delaware & Raritan Canal, which we call the "D&R Canal" in this Prospectus, to the CJO Plant, a distance of about one mile. The station capacity is being increased by replacing one existing pump with a larger pump. The firm capacity of the raw water pump station is being increased from about 35 mgd to 45 mgd. Functional completion of the Project (by which we mean the ability to produce water) is scheduled for June, 1999, with final completion set for October, 1999.

The total cost of the Project, including design, engineering and capitalized interest, will be approximately \$38 million. Of this amount, we have already expended \$7.9 million through March 31, 1998 from operations of our central New Jersey system. In March, 1998, we issued our 5.35% Series W Mortgage Bonds which provided an additional \$23 million. The remainder of the cost of the Project will be funded through the sale of Common Stock offered under this Prospectus.

THE COMPANY

OVERVIEW

Middlesex Water Company was incorporated as a water utility company in 1897 and operates water utility systems in central and southern New Jersey and in Delaware as well as a wastewater utility in southern New Jersey. The water utility system in central New Jersey, which we call in this Prospectus the "Middlesex System," produced 90% of the Company's 1997 Revenue. The Middlesex System treats, stores and distributes water for residential, commercial, industrial and fire prevention purposes.

Our Middlesex System provides water services to approximately 54,000 retail customers, primarily in eastern Middlesex County, New Jersey and provides water on a wholesale basis under contract to the Township of Edison, the Boroughs of Highland Park and Sayreville, the City of South Amboy and both the Old Bridge and the Marlboro Township Municipal Utilities Authorities. Under a special contract, the Middlesex System also provides water treatment and pumping services to the Township of East Brunswick.

The Middlesex System's retail customers are located in an area of approximately 55 square miles in Woodbridge Township, the Boroughs of Metuchen and Carteret, portions of Edison Township and the Borough of South Plainfield in Middlesex County and a portion of the Township of Clark in Union County. The retail customers include a mix of residential customers, large industrial concerns and commercial and light industrial facilities. These retail customers are located in generally well developed areas of central New Jersey. The contract customers of the Middlesex System comprise an area of approximately 141 square miles with a population of approximately 267,000. Contract sales to Edison, Sayreville, Old Bridge and Marlboro are supplemental to the existing water systems of these customers. The State of New Jersey in the mid-1980's approved plans to increase available surface water supply to these and other municipalities in the South River Basin area of the State through contracts with water suppliers outside the South River Basin. The State saw this as a way to reduce the use of ground water and depletion of aquifers. Our long-term contracts to pump treated surface water to East Brunswick, Marlboro, Old Bridge, Sayreville and South Amboy are consistent with the State approved plan.

We have five wholly-owned subsidiaries:

- o Tidewater Utilities, Inc. ("Tidewater"), together with Tidewater's wholly-owned subsidiary, Public Water Supply Company, Inc. ("Public"), provide water services to 11,000 retail customers for residential, commercial and fire protection purposes in over 100 separate community water systems in Kent, Sussex and New Castle Counties, Delaware. We refer to our Delaware operations as the "Tidewater Systems" in this Prospectus. The Tidewater Systems produced approximately 7% of our total revenues in 1997. Tidewater has another wholly-owned subsidiary, White Marsh Environmental Systems, Inc., which owns the office building that Tidewater uses as its business office.
- o Pinelands Water Company services 2,200 residential customers in Burlington County, New Jersey. We refer to this water utility as the "Pinelands System" in this Prospectus. The Pinelands System produced approximately 0.6% of our total revenues in 1997.
- o Pinelands Wastewater Company services approximately 2,200 primarily residential retail customers and, under contract, one municipal wastewater system in Burlington County, New Jersey with about 200 residential customers. We refer to this wastewater utility as the "Pinelands Wastewater System" in this Prospectus. The Pinelands Wastewater System produced approximately 1.4% of our total revenues in 1997.
- o Utility Service Affiliates, Inc. along with Middlesex Water Company entered into a five-year contract with the City of South Amboy, New Jersey to operate and maintain the city's 2,600 customer water system in May 1995. The contract is renewable for up to three additional five-year periods. We refer to this subsidiary as "USA" in this Prospectus. USA produced approximately 1% of our total revenues in 1997.

- o Utility Service Affiliates (Perth Amboy) Inc., which we refer to "USA (PA)" in this Prospectus, along with Middlesex Water Company, are currently negotiating an agreement with the City of Perth Amboy and the Middlesex County Improvement Authority. Under that agreement, USA (PA) would operate and maintain the city's water system and the wastewater system for 20 years. USA (PA) would be paid a fixed fee and a variable fee based on increased system billings. Fixed fee payments to USA (PA) in the agreement rises from \$6.4 million in the first year to \$9.7 by year 20. The agreement also would require USA (PA) to lease from the City all of the City's employees who currently work on the City's water system or wastewater system. In connection with the agreement, the Middlesex County Improvement Authority is going to issue up to \$69.5 million in three series of bonds. One of those series of bonds, in principal amount up to \$27.5 million, is to be guaranteed by the Company. The other series of bonds are to be guaranteed by the City. The Company will also guarantee the performance of our subsidiary, USA (PA). If the agreement goes into effect, USA (PA) may enter into a subcontract with a sewer contracting firm for the operation and maintenance of the city's wastewater system. City employees who now work on the City's wastewater system would be subleased by the subcontractor from USA (PA). Of the \$6.4 million fixed fee payable to USA (PA) in the first year of the agreement, \$3 million would be payable to the subcontractor. The variable fee payable by USA (PA) to the subcontractor would be based on a portion of the increased billings attributable to the wastewater system. We hope to conclude all aspects of the transactions and to receive the necessary approvals by January 1999.

STRATEGY

To support our existing and expanding operations, we strive to maintain and strengthen our position as a reliable supplier of quality water in all of our systems. We will continue to seek new services and to consider acquisitions of other water and wastewater systems. In addition, we will try to contract with additional municipalities to operate and manage their water systems and, in some cases, their wastewater systems. We also plan to continue to increase our customer base in New Jersey and Delaware. We may also seek to acquire companies in water- and wastewater-related businesses that are not regulated utilities.

MAINTAIN AND STRENGTHEN OUR POSITION AS A PROVIDER OF QUALITY WATER. We believe that we meet or exceed all primary regulatory requirements for water quality. We also believe that we have adequate supplies to provide water in sufficient quantities to meet our customers' current requirements in all of our service areas. In order to maintain and improve our ability to provide quality water in sufficient quantities, we regularly upgrade our facilities. We are currently upgrading and expanding our CJO Plant in Edison, New Jersey in order to meet more stringent regulatory requirements anticipated for water quality and to increase our capacity to meet peak-day demands for water in the utility system serviced by the CJO Plant. See "THE PROJECT." We also continue to improve our central New Jersey distribution system by cleaning and cement lining unlined pipe.

INCREASE CONTRACT SERVICES. We currently operate and maintain the 2,600 customer water system of the City of South Amboy, New Jersey under a 1995 contract with that city which is renewable at five year intervals. We are negotiating a contract with another New Jersey municipality to operate and maintain its water and wastewater systems. If negotiations are successful, we may enter into a subcontract with an experienced sewer contractor for the operation and maintenance of the wastewater system. We are also currently negotiating with a third New Jersey municipality to enter into a multi-year treating and pumping contract. Because we believe contracts with municipalities provide another way for us to expand our service territories and increase the number of customers we serve, we continue to seek opportunities to enter into contracts with additional municipalities to operate their water systems.

INCREASE CUSTOMER BASE. Since 1992, we have increased our retail customer base in Delaware from approximately 3,000 to approximately 11,000 today through acquisitions and customer growth. We have also acquired 2,200 customer water utility and a 2,200 customer wastewater utility in Burlington, County, New Jersey. We will continue to seek opportunities to increase our customer base by acquiring additional service areas, water utilities and other water- or wastewater-related companies in New Jersey and Delaware. There is significant economic development and population growth near several of our Delaware service areas.

SUMMARY OF STATISTICAL INFORMATION
(CONSOLIDATED OPERATIONS)

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
	----- (In thousands) -----				
REVENUES					
Residential	\$ 16,291	\$ 15,091	\$ 15,202	\$ 14,306	\$ 14,042
Commercial	4,576	4,347	4,393	4,282	4,170
Industrial	6,631	6,621	6,669	6,598	6,481
Fire Protection	4,662	4,637	4,543	4,352	4,312
Contract Sales	7,380	6,778	6,658	6,322	6,232
Other	754	551	382	262	242
	=====	=====	=====	=====	=====
Total	\$ 40,294	\$ 38,025	\$ 37,847	\$ 36,122	\$ 35,479

	AS OF DECEMBER 31,				
	1997	1996	1995	1994	1993
	----- (In thousands) -----				
Meters in Service	67,673	63,775	61,332	58,371	57,318
Population Served (Retail)	271,000	255,000	245,000	233,000	229,000
Miles of Main	1,149	1,067	1,035	972	947
Fire Hydrants	4,850	4,750	4,690	4,558	4,503
Pumpage (million gallons)	17,476	16,791	17,380	16,794	16,789

WATER SUPPLIES AND CONTRACTS

Our water utility plant consists of sources of supply, pumping, water treatment, transmission, distribution and general facilities located in New Jersey and Delaware. Our New Jersey and Delaware water supply systems are physically separate and are not interconnected. In addition, in New Jersey, the Pinelands System is not interconnected with the Middlesex System. In the opinion of management, we have adequate sources of water supply to meet the current and anticipated future service requirements of our present customers in New Jersey and Delaware.

MIDDLESEX SYSTEM:

Our Middlesex System obtains water from both surface and from wells which we call groundwater sources. In 1997, surface sources of water provided approximately 64% of the Middlesex System's water supply, groundwater from wells provided approximately 29% and the balance of 7% was purchased from Elizabethtown Water Company ("Elizabethtown"), a nonaffiliated water utility. Middlesex System's distribution storage facilities are used to supply water to its customers at times of peak demand, outages and emergencies.

The principal source of surface supply for the Middlesex System is the D&R Canal, owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority ("NJWSA"). Under a multistate compact, the NJWSA is entitled to divert water from the Delaware River into the D&R Canal. This supply, together with water in the Round Valley and Spruce Run Reservoir System, provide a safe yield of 225 mgd which supplies our Middlesex System and other large water purveyors contractually regulated by the NJWSA. We have contracts with the NJWSA to divert a maximum of 20 mgd of untreated water from the D&R Canal. In addition, we have a one year agreement for an additional 5 mgd, renewed through April 30, 1999. We also have an agreement with Elizabethtown, effective through December 31, 2005, which provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases. We have also purchased additional water from Elizabethtown on an emergent basis when construction activity briefly closed the D&R Canal.

Our Middlesex System also derives water from groundwater sources equipped with electric motor driven deepwell turbine type pumps. The Middlesex System has 32 wells, which provide an aggregate pump capacity of approximately 27 mgd.

TIDEWATER SYSTEMS:

Water supply to Delaware customers is derived from the Tidewater Systems' 115 wells which provided overall system delivery of 512 million gallons during 1997. The Tidewater Systems do not have a central treatment facility. Several of its water systems in Sussex County and New Castle County, Delaware have interconnected transmission systems. Treatment is by chlorination and, in some cases, pH correction and filtration.

PINELANDS SYSTEM:

The Pinelands System obtains its water supply from four wells drilled into the Mt. Laurel aquifer. The wells are equipped with three electric motor driven deep well turbine pumps and one is equipped with a electric motor driven submersible pump. Disinfection is done at individual well sites. The wells have an aggregate pump capacity of 2.2 mgd.

PINELANDS WASTEWATER SYSTEM:

The Pinelands Wastewater System discharges into the South Branch of the Rancocas Creek through a tertiary treatment plant that provides clarification, sedimentation, filtration and disinfection. The total capacity of the plant is 0.5 mgd. Current average flow is 0.3 mgd. Pinelands has a current valid discharge permit issued by the New Jersey Department of Environmental Protection ("DEP").

PROPERTIES

The water utility properties of our systems consist of source of supply, pumping, water treatment, transmission and distribution and general facilities.

MIDDLESEX SYSTEM:

The Middlesex System's principal source of surface supply is the D&R Canal owned by the State of New Jersey and operated as a water resource by the NJWSA.

Water is withdrawn from the D&R Canal at New Brunswick, New Jersey through our intake and pumping station located on State owned land bordering the Canal. It is transported through our 54 inch supply main for treatment and distribution at the CJO Plant. See "THE PROJECT." Facilities at the CJO Plant consist of source of supply, pumping, water treatment, transmission, storage, laboratory and general facilities. We monitor water quality at the CJO Plant, at each well field and throughout the distribution system to determine that federal and state water quality standards are met. See "THE PROJECT" and "Regulation -Water Quality and Environmental Regulations."

The design capacity of the intake and pumping station in New Brunswick, New Jersey, is 80 mgd. The four electric motor driven vertical turbine pumps presently installed have an aggregate design capacity of 65 mgd. The station is designed to permit its pumping capacity to be increased to 80 mgd by the installation of additional pumping units. The design capacity of our raw water supply main is 55 mgd. We also have a 58,600 foot transmission main, a long term lease agreement with the City of Perth Amboy for the use of a 38,800 foot transmission main, and a long term, nonexclusive "wheeling agreement" with the East Brunswick system, all used to transport water to several of our contract customers.

The CJO Plant includes chemical storage and chemical feed equipment, dual rapid mixing basins, four reinforced concrete mechanical flocculation compartments, four underground reinforced concrete settling basins, eight rapid filters containing gravel, sand and anthracite for water treatment and a steel washwater tank. The firm design capacity of the CJO Plant is now 30 mgd (45 mgd maximum capacity). The main pumping station at the CJO Plant has a design capacity of 90 mgd. The four electric motor driven vertical turbine pumps presently installed have an aggregate capacity of 65 mgd.

In addition to the main pumping station at the CJO Plant, there is a 15 mgd auxiliary pumping station located in a separate building. It has a dedicated substation and emergency power supply provided by a diesel-driven generator. It pumps from the 10 million gallon distribution storage reservoir directly into the distribution system. We refer to a million gallons as "mg" in this Prospectus.

We have a RENEW Program in the Middlesex System to clean and line with cement previously unlined mains. There are approximately 170 miles of unlined mains in the 670 mile Middlesex System. In 1999, we will clean and line approximately nine miles of unlined mains.

Middlesex System's storage facilities consist of a 10 mg reservoir at the CJO Plant, 5 mg and 2 mg reservoirs in Edison, a 5 mg reservoir in Carteret and a 2 mg reservoir at the Park Avenue Well Field.

We own the properties in New Jersey on which Middlesex System's 32 wells are located. We also own our headquarters complex at 1500 Ronson Road, Iselin, New Jersey, consisting of a 27,000 square foot, two story office building and an adjacent 16,500 square foot maintenance facility.

TIDEWATER SYSTEMS:

The Tidewater Systems' storage facilities include 21 ground level storage tanks with the following capacities: eleven 30,000 gallon tanks, five 25,000 gallon tanks, three 120,000 gallon tanks, one 135,000 gallon tank, one 82,000 gallon tank and one elevated storage tank with a capacity of 250,000 gallons.

Our Delaware operations are managed from Tidewater's leased offices in Odessa, Delaware and from Public's leased offices in Millsboro, Delaware. Tidewater's office property, which is owned by its wholly-owned subsidiary, White Marsh Environmental Systems, Inc., consists of a 2,400 square foot building situated on a one (1) acre lot.

PINELANDS SYSTEM:

Pinelands Water Company owns well site properties which are located in Southampton Township, New Jersey. Pinelands Water storage facility is a 1.2 mg standpipe.

PINELANDS WASTEWATER SYSTEM

Pinelands Wastewater Company owns a 12 acre site on which its 0.5 mgd capacity tertiary treatment plant is located.

LEGAL PROCEEDINGS

A Woodbridge, New Jersey motel in our service area originally filed claims against us in 1990, in the Superior Court, Burlington County, New Jersey alleging financial losses due to improper water pressure and service and also seeking punitive damages. Subsequently in 1994, and again in 1997, the motel suffered outbreaks of legionella, resulting in the 1997, shut-down of the motel by the New Jersey Department of Health. The motel amended its claims to assert that we provided water containing the legionella bacteria. The motel is in bankruptcy. A bank creditor of the motel has joined in the motel's claim against us in an effort to recover some \$3.5 million still owing to the bank. Although we believe that the motel's claims are not supportable and have expert witness testimony to that effect, the motel also has an expert who will testify that we do have responsibility. Claims resulting from the death of a motel guest from legionella in 1997 have been brought against the motel and the motel in turn has claimed against us. We have substantial insurance coverage, which we believe will be sufficient for all claims in this matter other than for punitive damages. We do not believe the motel's claims for punitive damages will prevail. While the outcome of this case remains uncertain, we believe that the final resolution will not have a significant effect on our financial condition or results of operation.

A 1995 fire at a warehouse in our service territory resulted in multiple party claims brought both in the Superior Court for Middlesex County, New Jersey, as well as, with the financial collapse of the principal tenant, in the Federal Bankruptcy Court. The claims in the State court action are for unspecified amounts but include claims against us for insufficient water pressure and supply. The Bankruptcy Court has stayed all claims against the tenant except, to the extent the tenant is insured, claims brought by us arising from claims made against us by other tenants and the landlord. Under New Jersey case law, we will not have financial responsibility to parties to the extent they receive payments under their own insurance policies. We do not know either the total amount of claims against us or how much of that amount will be covered by the parties' own insurance policies. Our counsel in the litigation advises that the case is unlikely to be resolved rapidly. We believe we have substantial defenses to the claims against us, although we do not have insurance coverage for them.

EMPLOYEES

As of September 30, 1998, we had a total of 140 employees in New Jersey, and a total of 28 employees in Delaware. No employees are represented by a union. Management considers its relations with its employees to be satisfactory. Wages and benefits are reviewed annually and are considered competitive within the industry.

COMPETITION

Our business in our franchised service areas is substantially free from direct competition with other public utilities, municipalities and other entities. However, our ability to provide some contract water supply and wastewater services and operations and maintenance services is subject to competition from other public utilities, municipalities and other entities. Although Tidewater has been granted an exclusive franchise for each of its existing community water systems, its ability to expand service areas has been affected by the Delaware Department of Natural Resources and Environmental Control awarding franchises to other regulated water purveyors, including franchises granted to service community water systems around and in between the Tidewater Systems service areas.

REGULATION

We are subject to regulation as to our rates, services and other matters by the states of New Jersey and Delaware with respect to utility service within those states and with respect to environmental and water quality matters. We are also subject to environmental and water quality regulation by the United States Environmental Protection Agency ("EPA"). In addition, our issuances of securities, including the Common Stock offered under this Prospectus, is subject to the prior approval of the BPU.

REGULATION OF RATES AND SERVICES

New Jersey operations are subject to regulation by the BPU. Similarly, our Delaware operations are subject to regulation by the PSC. These regulatory authorities have jurisdiction with respect to rates, service, accounting procedures, the issuance of securities and other matters.

In determining our rates, the BPU and the PSC consider the income, expenses, rate base of property used and useful in providing service to the public and a fair rate of return on that property. Rate determinations by the BPU do not guarantee particular rates of return to the Company for our New Jersey operations nor do rate determinations by the PSC guarantee particular rates of return for our Delaware operations. Thus, we may not achieve the rates of return allowed by the BPU or the PSC.

We filed a petition with the BPU on September 17, 1998 for a 21.9% rate increase to include the \$38 million costs of the Project in our rate base and to recover certain other of our costs which have increased. The Company anticipates that a BPU determination with respect to this petition may not be made until the summer of 1999. There can be no assurance that the rate increase will be granted or, if granted, that it will be in the amount we requested.

We anticipate that we may file with the PSC during 1999 for a rate increase for the Tidewater Systems, which may also include a request to combine Tidewater and Public into a single entity.

WATER QUALITY AND ENVIRONMENTAL REGULATIONS

Both the EPA and the DEP regulate our operations in New Jersey with respect to water supply, treatment and distribution systems and the quality of the water, as do the EPA, the DNREC, and the Delaware Department of Health with respect to operations in Delaware.

Federal, Delaware and New Jersey regulations adopted over the past five years relating to water quality require expanded types of testing by the Company to insure that its water meets State and Federal water quality requirements. In addition, environmental regulatory agencies are reviewing current regulations governing the limits of certain organic compounds found in the water as byproducts of treatment. The Company believes the CJO Plant upgrade and expansion will allow the Company to be in a stronger position to meet any such future regulations with regard to its Middlesex System. Regular testing of our water demonstrates that we are in compliance with existing Federal, New Jersey and Delaware primary water quality standards.

As more fully discussed in the Company's most recent Annual Report on Form 10-K, the Company is subject to regulations of the EPA as to maximum contaminant levels under the Federal Safe Drinking Water Act. There are also similar state regulations by the DEP in New Jersey.

The DEP and the Delaware Department of Health monitor the activities of the Company and review the results of water quality tests performed by the Company for adherence to applicable regulations. Other regulations applicable to the Company include the Lead and Copper Rule, the maximum contaminant levels established for various volatile organic compounds, the Federal Surface Water Treatment Rule, and the Total Coliform Rule. See "INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE" and "WHERE YOU CAN FIND MORE INFORMATION."

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(In thousands, except share and per share data)

This selected financial information as of, and for the years ended, December 31, 1993, 1994, 1995, 1996 and 1997, was taken from and should be read along with the financial statements contained in our most recent Annual Report on Form 10-K. Information as of, and for the periods ended, September 30 1997 and 1998 is taken from financial statements that have not been audited but which, we believe, fairly present our financial position and results of operations for those periods and should be read along with our most recently filed Quarterly Report on Form 10-Q. See "WHERE YOU CAN FIND MORE INFORMATION."

	Nine Months Ended September 30,		Year Ended December 31,				
	1998	1997	1997	1996	1995	1994	1993
CONSOLIDATED INCOME STATEMENT DATA:							
Operating Revenues	\$32,434	\$30,241	\$40,294	\$38,025	\$37,847	\$36,122	\$35,479
Operating Expenses	25,241	23,544	31,526	29,802	29,184	27,670	27,423
Net Income	5,185	4,487	5,861	5,168	5,704	5,495	5,480
Earnings Applicable to Common Stock	4,946	4,341	5,635	5,009	5,545	5,307	5,224
Earnings per Share of Common Stock :							
Basic	\$1.14	\$1.03	\$1.33	\$1.20	\$1.36	1.33	1.33
Diluted	1.13	1.02	1.33	1.20	1.36	1.33	1.33
Dividends Paid per Share of Common Stock :							
	\$.855	\$.84	\$1.125	\$1.105	\$1.085	\$1.0575	\$1.0125
Average Number of Shares Outstanding							
Basic	4,326,337	4,226,241	4,235,082	4,169,334	4,078,890	4,003,393	3,924,363
Diluted	4,552,763	4,346,792	4,382,345	4,258,740	4,168,296	4,092,799	4,013,769

	As of September 30,		As of December 31,				
	1998	1997	1997	1996	1995	1994	1993
CONSOLIDATED BALANCE SHEET DATA:							
Total Assets	\$191,415	\$156,706	\$159,761	\$148,660	\$144,822	\$132,413	\$125,676
Utility Plant - Net	152,045	130,853	135,071	121,245	117,933	108,743	105,392
Common Equity	54,330	50,839	51,226	49,216	47,644	44,851	42,839
Convertible Preferred Stock	3,894	3,896	3,894	1,565	1,565	1,565	1,544
Nonredeemable Preferred Stock	1,102	1,102	1,102	1,102	1,102	1,226	1,250
Long-term Debt (excluding current portion)	75,884	52,929	52,918	52,961	52,960	49,500	37,000

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the financial statements contained in our most recent Annual Report on Form 10-K and our most recently filed Quarterly Report on Form 10-Q. See "WHERE YOU CAN FIND MORE INFORMATION."

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 1998

Operating Revenues for the nine months ended September 30, 1998, were \$2.2 million higher than last year. Rate increases resulted in additional revenues of \$1.2 million. The Middlesex System received regulatory approval from the BPU to implement a 4.4% rate increase in January, 1998. The Pinelands Water and Wastewater Companies also increased their rates in January, 1998. This increase represented the second part of a three part rate increase previously approved by the BPU. The third increase is scheduled for January 1999.

A subsidiary acquisition added \$0.6 million to revenues. The acquisition of Public by our wholly-owned subsidiary, Tidewater was completed on July 31, 1997. As a result, the nine months of consolidated revenue for 1997 only include two months of revenue from Public.

Customer growth contributed \$0.4 million to revenues. The customer base of Tidewater grew by 820 accounts over the twelve month period ended September 30, 1998. This translates to an annual growth rate in customers of 11.6% and is consistent with the increase of 13.0% in amounts billed for water services to the customers of Tidewater.

Operating Expenses rose \$1.7 million or 7.2% for the nine months ended September 30, 1998. Some of the reasons for this increase are briefly discussed here. The Middlesex System changed the composition of the water sources it used to supply its customers. During 1998, less water was withdrawn from its well fields and more was purchased from the NJWSA and Elizabethtown. This resulted in higher purchased water costs and higher chemicals expense of \$0.2 million. Electric power costs for the Middlesex System were higher by about \$0.2 million over last year due primarily to a large credit we received in the 1997 period from our power provider. Costs associated with the recognition of post retirement benefits under mandated accounting standards pushed operating expenses up by \$0.3 million. Public's expenses are now included in our consolidated expenses. Its expenses amounted to \$0.3 million for the nine months ended September 30, 1998.

On a consolidated basis, almost \$9.5 million of newly constructed utility plant or utility plant acquired through acquisition was placed in service since September 30, 1997. This resulted in higher depreciation expense in the first nine months of 1998 of \$0.2 million or 8% over that period last year.

Taxes other than income taxes includes the taxes that the State of New Jersey charges regulated water and wastewater utilities based upon gross receipts from operations in New Jersey. These taxes are called Gross Receipts and Franchise Taxes. In general, for every dollar of revenue collected from our New Jersey customers approximately 13.5% is remitted to the State of New Jersey. As described above, about \$1.2 million of additional revenues were recorded by our New Jersey companies which, in turn, increased the tax expense by just under \$0.2 million.

Other income increased \$0.7 million in the first nine months of 1998 over last year. One of the components of the increase is higher earnings on the unexpended proceeds from the 5.35% Series W Mortgage Bond issued in March, 1998. As of September 30, 1998, \$11.3 million of the \$23.0 million received from the Series W offering remains in a CJO Plant Construction account maintained by a trustee. We submit payment requisitions to the trustee for qualified CJO Plant expenditures. It is our expectation that the balance of the proceeds will be exhausted by February, 1999. Another piece of the increase pertains to interest capitalized on the CJO Plant work in process expenditures. Public utilities refer to this as Allowance for Funds Used During Construction ("AFUDC"). In general, AFUDC is recorded as a cost of the project until the utility plant is ready to provide service to customers. The effect is to reduce expenses currently for the Company and depreciate the capitalized interest along with the rest of the CJO Plant costs over its estimated useful life.

Interest charges rose \$0.5 million which represents our obligation to pay interest on the 5.35% Series W Mortgage Bond issued in March 1998.

Net Income for the nine months ended September 30, 1998 increased \$0.7 million or 15.6% over the comparable 1997 period based upon the discussion above. The increase in the preferred stock dividend requirement is attributable to the issuance of preferred stock in July, 1997, to complete the acquisition of Public. Through September, 1998, nine months worth of the dividend requirements were recorded while for the same period in 1997 only two months were recorded.

Basic and Diluted Earnings per Share both increased by \$0.11 over last year. There is a \$0.01 per share difference between Basic and Diluted Earnings per Share. This difference is due to the two series of convertible preferred stock that we have issued. See "-- Accounting Standards."

RESULTS OF OPERATIONS
1997 COMPARED TO 1996

Operating Revenues increased by \$2.3 million to \$40.3 million due to favorable weather conditions in New Jersey and Delaware, continued growth in Tidewater's customer base of 12%, rate increases implemented by the Pinelands Companies, increased contract revenues from USA and the inclusion of Public's operating results since August 1997.

Offsetting effects to net income were higher operations and maintenance expenses of \$0.8 million or 4.1%, which reflected increased purchased water of \$0.3 million transmission and distribution expenses of \$0.3 million; administrative and general expenses of \$0.3 million and the inclusion of operating expenses for Public of \$0.2 million. These increases were offset by reductions in purchased power and water treatment expenses of \$0.3 million.

Depreciation expense increased 4.8% due to a higher level of depreciable plant in service. Taxes, other than income taxes increased \$0.2 million and were related primarily to revenue-related taxes. A higher level of taxable income resulted in a \$0.6 million increase in federal taxes.

As a result, Net Income increased 13.4% to \$5.9 million in 1997 compared with \$5.2 million in the prior year.

RESULTS OF OPERATIONS
1996 COMPARED TO 1995

Operating Revenues in 1996 were \$0.2 million higher than in 1995. Consumption was lower in all major classes of customers. These decreases were offset by additional fixed service charges as a result of an increased customer base in Delaware of 12.5% and the inclusion of revenues from the Pinelands Companies and USA for a full year in 1996.

Operations and maintenance expenses were \$0.9 million or 4.8% higher in 1996 over 1995 due principally to increases in purchased water of \$0.3 million; water treatment of \$0.3 million; pumping expenses of \$0.2 million; and customer accounts and administrative and general expenses of \$0.3 million; offset by a decrease in transmission and distribution expenses of \$0.2 million.

Depreciation increased \$0.1 million or 4.1% due to a higher depreciation base. Federal income taxes decreased \$0.5 million due to lower taxable income. Interest expenses increased \$0.2 million or 5.3% as a result of the long-term borrowings by Tidewater.

As a result, Net Income decreased \$0.5 million or 9.4%.

LIQUIDITY AND CAPITAL RESOURCES

The table below presents the estimated capital expenditures, in millions for all our companies for 1998, 1999 and 2000:

	1998	1999	2000
	----	----	----
	(in millions)		
CJO Plant	\$16.0	\$17.0	\$ -
Delaware Systems	3.2	2.0	0.7
RENEW Program	2.1	2.2	2.2
Scheduled upgrades to existing systems	3.0	4.7	3.6
	-----	-----	-----
Total	\$24.3	\$25.9	\$6.5
	-----	-----	-----

Our plan to finance these projects is underway. Proceeds from the \$23.0 million Series W First Mortgage Bonds and the anticipated common stock offering will be used to finance the CJO Plant expenditures in 1998 and 1999. Our Middlesex System will receive \$2.2 million from New Jersey Environmental Infrastructure Trust to cover the cost of the 1999 RENEW Program, which is our program to clean and line with cement approximately nine miles of unlined mains in the Middlesex system. There is a total of approximately 170 miles of unlined mains in the 670 mile Middlesex System. We expect to apply for similar funds in 1999 for the year 2000 RENEW Program. The financing of our Delaware subsidiaries, capital program will be a combination of a capital contribution from the Company and long-term debt financing from either a financial institution or the Company. The debt financing decision will be based upon the terms of financing available to our Delaware subsidiaries. We expect to be able to cover the costs of scheduled upgrades to the existing systems with the cash flow generated from our utility operations through the year 2000. For the nine months ended September 30, 1998 our consolidated group has expended \$18.8 million for capital projects, including \$12.2 million for the Project.

The Company currently has six series of First Mortgage Bonds outstanding in the aggregate principal amount of \$72.5 million. In addition, two additional series of First Mortgage Bonds in the principal amount of \$2.2 million have been delivered in escrow with an expected closing of November 5, 1998. The First Mortgage Bonds have been issued under and secured by a First Mortgage Bond Indenture and supplements thereto which constitute a direct first mortgage lien upon substantially all of the property of the Company. Tidewater borrowed funds under a \$3.5 million 8.05% Amortizing Secured Note due December 20, 2021. Approximately \$3.4 million was outstanding under that note as of September 30, 1998.

From time to time it may be necessary to utilize all or part of the \$28.0 million in total lines of credit we have available with three commercial banks for working capital purposes or provide interim funds until long-term financing is arranged. At September 30, 1998, we had \$4.5 million of loans outstanding against those lines of credit.

REGULATORY MATTERS

On September 17, 1998, Middlesex filed a petition with the BPU for a base rate increase of \$7.9 million or 21.9%. Approximately 75% of the increase is necessary to recover the investment in the upgrade and expansion of the CJO Plant serving our central New Jersey water system. The purpose of the Project is to meet the new and anticipated regulatory standards concerning water quality, as well as to increase the plant's production capacity. A decision by the BPU is expected in the summer of 1999.

On January 29, 1998, the BPU acted upon our November 1996 petition and approved an increase in our rates for the Middlesex System by 4.4% or \$1.5 million. Under the rate increase, the allowed return on equity is 11.0% with an overall rate of return of 8.56%. The increase included the recovery of postretirement costs other than pension expenses which are mandated by the Company's compliance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The prior increase in base rates granted by the BPU was \$2.8 million, or 9.33%, in April 1993.

In January 1997, the BPU approved a stipulation agreed to by the parties to the Pinelands Water and Wastewater Companies' rate cases which were filed in February 1996. The stipulations allow for a combined rate increase which will result in \$0.4 million additional revenues. The new rates are being phased in over a three-year period to minimize the impact on customers. Phases one and two were implemented in January 1997 and 1998, respectively.

ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." This statement supersedes Accounting Principles Bulletin Opinion No. 15, "Earnings Per Share," and simplifies the reporting and computing of earnings per share ("EPS"). SFAS No. 128 requires dual presentation of basic and diluted earnings per share on the face of the income statement and requires

a reconciliation of the basic EPS computation to the diluted EPS computation. At December 31, 1997, the Company adopted SFAS No. 128.

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. At September 30, 1998, the Company did not have any items of comprehensive income that would affect the current reporting of the Company's financial position, results of operations or cash flows.

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," requires that public enterprises report certain information about operating segments in complete sets of financial statements. Disclosure is not required for interim financial statements in the initial year of its application. The Company is evaluating the requirements of SFAS No. 131. Because the statement relates solely to disclosure provisions, it will not have any effect on the Company's financial position, results of operations or cash flows.

SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," revises and standardizes disclosure requirements for pension and other postretirement benefit plans but does not change the measurement or recognition of those plans. This statement is required to be adopted for the fiscal year ending December 31, 1998.

YEAR 2000

Software used in many computer systems and computerized control devices was designed to record only the last two digits of each year. This software, some of which we own, may not function properly as of January 1, 2000 because it interprets the new year as 1900. We have tested our own computer systems, to make certain that those systems will work properly when 1999 becomes 2000. We have also requested certification of Year 2000 compliance from the vendor of the new SCADA, as well as the principal vendors of data processing serving our financial reporting, payroll, billing, customer information and shareholder record systems. The vendors have certified that their systems have been tested and will work properly. We believe we may reasonably rely on those certifications. We also expect to spend up to \$10,000 to bring certain other operating systems, including our network of desktop personal computers, into Year 2000 compliance. Nonetheless, we may not have identified every computerized control device of ours which may be affected by Year 2000. Even if identified, we may not be able to reprogram or replace those devices before January 1, 2000. More importantly, we cannot assess the impact on us of failures of computer systems and control devices used by others. We are especially concerned about third parties who provide significant services and materials to process, treat and distribute water and to process, treat and dispose of wastewater, and about the possible failure of electric power and telecommunications or the inability to obtain diesel fuel for the Company's stand-by generators. The occurrence of any such Year 2000-related problem could have a material adverse effect on our financial condition and results of operations.

COMMON STOCK PRICE RANGE AND DIVIDENDS

Cash dividends on our Common Stock have been paid each year since 1912, and the annual dividend has increased for 25 consecutive years. On October 22, 1998, the Board of Directors declared a quarterly cash dividend of \$0.295 per share payable on December 1, 1998 to shareholders of record on November 16, 1998.

The Board of Directors' policy has been to pay cash dividends on the Common Stock on a quarterly basis. Future cash dividends will be dependent upon our earnings, financial condition, capital demands and other factors, and will be determined in accordance with policies established by the Board of Directors. See "Description of Common Stock" for certain restrictions upon the payment of cash dividends.

Our Common Stock is listed on the Nasdaq National Market and trades under the symbol "MSEX." On October 22, 1998, we had 2,271 common shareholders of record.

The following table sets forth the range of sales prices of the Common Stock, as reported by the Nasdaq National Market and dividends paid thereon for the periods indicated.

	SALES PRICE		QUARTERLY CASH DIVIDENDS
	HIGH	LOW	
1998:			
Fourth Quarter (through October 30, 1998)	\$24	\$21 1/4	\$0.295
Third Quarter	22	20 1/8	0.285
Second Quarter	21 1/4	19 1/4	0.285
First Quarter	22 1/2	19 7/8	0.285

			\$1.150
			=====
1997:			
Fourth Quarter	\$22 1/2	\$18	\$0.285
Third Quarter	19 1/4	16 3/8	0.28
Second Quarter	17 7/8	16 3/8	0.28
First Quarter	18	17	0.28

			\$1.125
			=====
1996:			
Fourth Quarter	\$18 1/4	\$16 3/4	\$0.28
Third Quarter	18	16	0.275
Second Quarter	17 1/2	15 1/2	0.275
First Quarter	19 1/4	17 1/4	0.275

			\$1.105
			=====

The book value per share of the Common Stock at September 30, 1998 was \$12.20 per share. For a recent closing sale price of the Common Stock, as reported on the Nasdaq National Market, see the cover page of this Prospectus.

DESCRIPTION OF COMMON STOCK

Our authorized capital stock consists of 10,000,000 shares of Common Stock, without par value, 149,980 shares (as of October 30, 1998) of Cumulative Preferred Stock, without par value, and 100,000 shares of Cumulative Preference Stock, without par value. As of October 30, 1998, there were 4,368,847 shares of Common Stock outstanding, four series of Cumulative Preferred Stock representing a total of 45,898 shares outstanding and no shares of the Cumulative Preference Stock outstanding. The issuance of the Common Stock offered hereby is subject to approval by the BPU. See "THE COMPANY --Regulation."

The transfer agent for the Common Stock is Registrar and Transfer Company. Our outstanding Common Stock is traded on the over-the-counter market on the Nasdaq National Market System.

Certain New Jersey state laws and provisions in our Restated Certificate of Incorporation may deter or prevent a change in control of us and/or a change in management, even if desired by a majority of the shareholders. See "--Voting Rights" and "--Restriction on Acquisitions."

The following is a brief summary of certain information relating to our Common Stock. This summary does not purport to be complete and is intended to outline such information in general terms only.

DIVIDEND RIGHTS

Our Restated Certificate of Incorporation provides that whenever full dividends have been paid on the Preferred Stock and the Preference Stock outstanding for all past quarterly periods, the Board of Directors may declare and pay dividends on the Common Stock out of legally available funds.

LIMITATIONS ON PAYMENT OF DIVIDENDS

Under the terms of the Fourth Supplement to the Company's First Mortgage Bond Indenture, unless the holders of not less than 75% in principal amount of all first mortgage bonds consent in writing, the Company may not make a payment as a dividend or other distribution on capital stock issued by the Company or for the redemption or acquisition of capital stock issued by the Company, if the aggregate of all such payments made and to be made by the Company, including the proposed payment, during the period from October 1, 1948 to the date of the proposed payment would exceed the aggregate of (a) the consolidated net earnings of the Company for the period, and (b) the proceeds of the sale received by the Company for all capital stock issued by it subsequent to September 30, 1948; provided, that a dividend paid or to be paid in capital stock shall not be included in the aggregate of such payments.

In addition, under the Thirteenth Supplement to the Company's First Mortgage Bond Indenture, the Company may not declare or pay any dividends on its Common Stock (except dividends in shares of its Common Stock) or make any distribution (except in shares of its Common Stock) or purchase or otherwise acquire any shares of its Common Stock for value if the aggregate amount of such dividends, distributions, purchases and acquisitions paid or made subsequent to December 31, 1972 exceeds the sum of the aggregate of the consolidated net income of the Company (as defined in the Thirteenth Supplemental Indenture) available for dividends on its Common Stock accumulated subsequent to December 31, 1971, plus \$1.0 million.

As of the date of this Prospectus, the payment of dividends by the Company has not been affected by these limitations.

VOTING RIGHTS

Every holder of the Common Stock is entitled to one vote for each share held of record. The Company's Restated Certificate of Incorporation and By-laws provide for a Board of Directors divided into three classes of directors serving staggered three-year terms. A classified board has the effect of increasing the time required to effect a change in control of the Board of Directors. The Company's By-laws provide that nominations for directors must be (i) made in writing, (ii) received by the Secretary of the Company not less than 21 days prior to the date fixed for the meeting of stockholders and (iii) accompanied by the written consent of the nominee to serve as a director. In addition, the Restated Certificate of Incorporation provides that the By-laws may only be amended by stockholders if the holders of two-thirds or more of the issued and outstanding shares of Common Stock vote for the amendment. The Company's Restated Certificate of Incorporation also provides that stockholders may take action only at an annual or special meeting upon prior notice and pursuant to a vote.

No holder of Preferred Stock or Preference Stock (none of which Preference Stock has been issued) has any right to vote for the election of directors or, except as otherwise required by law, for any other purpose; provided, however, that if and whenever dividends on the outstanding Preferred Stock are in arrears in an amount equal to at least four quarterly dividends, the holders of the outstanding Preferred Stock of all series, voting as a class, are entitled, until all dividends in arrears are paid, to elect two members to the Board of Directors, which two members shall be in addition to the directors elected by the holders of the Common Stock. Whenever dividends on the outstanding Preference Stock are in arrears in an amount equal to at least four quarterly dividends, the holders of the outstanding Preference Stock of all series, voting as a class, are entitled, until all dividends in arrears are paid, to elect two members to the Board of Directors, which two members shall be in addition to the members elected by the holders of the Common Stock and by the holders of the Preferred Stock. In addition, unless certain tests set forth in the Company's charter are met, the consent of the holders of a majority of the outstanding shares of Preferred Stock of all series, voting as a class, is required for issuance or sale of any additional series of Preferred Stock or any class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or distributions. The consent of the holders of two-thirds in interest of the outstanding Preferred Stock of all series, voting as a class, is required to create or authorize any stock ranking prior to the Preference Stock as to dividends or in liquidation, or to create or authorize any obligation or security convertible into shares of any such stock, except that such consent is not required with respect to any increase in the number of shares of Preferred Stock which the Company is authorized to issue or with respect to the creation and establishment of any series of the Company's Preferred Stock.

LIQUIDATION RIGHTS

Holders of Common Stock are entitled to share on a pro-rata basis, subject to the rights of holders of the Company's First Mortgage Bonds, Preferred Stock or Preference Stock, in the assets of the Company legally available for distribution to shareholders in the event of the Company's liquidation, dissolution or winding up.

RESTRICTION ON ACQUISITIONS

As a New Jersey corporation with its headquarters and principal operations in the state the Company, is a "resident domestic corporation" as defined in New Jersey's Shareholder Protection Act (the "Act"). The Act bars any "business combination" as defined in that Act, (generally, a merger or other acquisition transaction) with any person or affiliate of a person who owns 10% or more of the outstanding voting stock of a resident domestic corporation for a period of five years after such person first owns 10% or more of such stock, unless the "business combination" both is approved by the board of directors of the resident domestic corporation prior to the time that person acquires 10% or more of the resident domestic corporation's voting stock and meets certain other statutory criteria.

DIVIDEND REINVESTMENT PLAN

The Company has a Dividend Reinvestment and Common Stock Purchase Plan ("DRIP") under which participating shareholders may have cash dividends on all or a portion of their shares of Common Stock or Cumulative Preferred Stock automatically reinvested in newly issued shares of Common Stock and may invest at the same time up to an additional \$25,000 per quarter in newly issued shares of Common Stock. Under the DRIP, the Company may permit the purchase of shares of Common Stock at 95% of market value for specified periods as announced by the Company from time to time. The Company last authorized the purchase of shares of Common Stock at 95% of market value during the period January 1, to June 1, 1998. As currently in effect, any purchase of shares under the DRIP is at full market value. No commission or service charge is paid by participants in connection with any of their purchases under the DRIP.

UNDERWRITING

Subject to the terms and conditions of an Underwriting Agreement among the Company and Edward D. Jones & Co., L.P. and Janney Montgomery Scott Inc. (the "Underwriters"), the Underwriters have severally agreed to purchase from the Company the aggregate number of shares of the Company's Common Stock set forth opposite their respective names below.

UNDERWRITER	NUMBER OF SHARES
Edward D. Jones & Co., L.P.....	-----
Janney Montgomery Scott Inc.	-----
Total.....	=====

The Underwriting Agreement provides that the obligations of the Underwriters to pay for and accept delivery of the Common Stock are subject to the approval of certain legal matters by counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the shares of the Common Stock offered hereby if any are taken (other than shares of Common Stock covered by the over-allotment option described below).

The Underwriters have advised the Company that they propose to offer the Common Stock being purchased by them directly to the public at the initial public offering price set forth on the cover page of this Prospectus and in part to certain securities dealers which are members of the National Association of Securities Dealers, at such prices less a concession which shall not exceed \$____ per share of Common Stock. After the initial public offering, the public offering price and concessions may be changed by the Underwriters.

The offering of the Common Stock is made for delivery when, as and if accepted by the Underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offer without notice. The Underwriters reserve the right to reject any order for the purchase of Common Stock in whole or in part.

The Company has granted to the Underwriters an option for 30 days to purchase (at the Common Stock Public Price less the Underwriting Discounts and Commissions shown on the cover page of this Prospectus) up to 67,000 additional shares of Common Stock. The Underwriter may exercise such option only to cover over-allotments of shares of Common Stock made in connection with the sale of the shares offered hereby.

In connection with this offering and in compliance with applicable law, the Underwriters may over-allot (i.e., sell more Common Stock than is set forth on the cover page of this Prospectus) and may effect transactions which stabilize, maintain or otherwise affect the market price of the Common Stock at levels above those which might otherwise prevail in the open market. Such transactions may include placing bids for the Common Stock or effecting purchases of the Common Stock for the purpose of pegging, fixing or maintaining the price of the Common Stock or for the purpose of reducing a short position created in connection with the Offering. A short position may be covered by exercise of the over-allotment option described above in lieu of or in addition to open market purchases. The Underwriters are not required to engage in any of these activities and any such activities, if commenced, may be discontinued at any time.

Neither the Company nor the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, neither the Company nor the Underwriters makes any representation that the Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Company and its directors and executive officers have agreed to enter into lock-up agreements pursuant to which they will agree that, subject to certain customary exceptions, they will not, without the prior written consent of Edward D. Jones & Co., L.P., for a period of 60 days from and after the date of this Prospectus, sell, offer to sell, contract to sell, or otherwise dispose of, directly or indirectly, any shares of Common Stock of the Company or any securities convertible into, or exercisable or exchangeable for, Common Stock of the Company (other than shares issuable pursuant to a plan for employees in effect on the date of this Prospectus).

The Company has agreed to indemnify the Underwriters and persons who control the Underwriters against certain liabilities that may be incurred in connection with the offering contemplated hereby, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the Underwriters may be required to make in respect thereof.

LEGAL MATTERS

Certain legal matters in connection with the validity of the Common Stock offered hereby will be passed upon for the Company by Norris, McLaughlin & Marcus, P.A., Somerville, New Jersey. Certain legal matters will be passed upon for the Underwriters by Armstrong, Teasdale, Schlafly & Davis, St. Louis, Missouri.

EXPERTS

The financial statements incorporated in this Prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1997 have been audited by Deloitte & Touche, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy any of the reports and other information we file at the Commission's public reference facilities located in Washington at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, in New York located at 7 World Trade Center, Suite 1300, New York, New York 10048, and in Chicago located at Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. Copies of such material can also be obtained from the Public Reference Section of the commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Our SEC filings are also available to the public over the Internet at the Commission's web site which is located at the following address: <http://www.sec.gov>.

This Prospectus is a part of a registration statement on Form S-3 (which, together with all exhibits filed along with it, will be referred to as the "Registration Statement") which we filed with the Commission to register the securities we are offering. Certain information and details which may be important to specific investment decisions may be found in other parts of the Registration Statement, including its exhibits, but are left out of this Prospectus in accordance with the rules and regulations of the Commission. To see more detail, you may wish to review the Registration Statement and its exhibits. Copies of the Registration Statement and its exhibits are on file at the offices of the Commission and may be obtained upon payment of the prescribed fee or may be examined without charge at the public reference facilities of the Commission described above.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Commission's rules allow us to "incorporate by reference" the information we file with the Commission, which means we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this Prospectus. We incorporate by reference the documents listed below, which already have been filed with the Commission, and certain information we may file in the future will automatically update and take the place of information already filed. The following documents are incorporated by reference as of the date each was filed: (a) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1998, June 30, 1998 and September 30, 1998; (b) the Company's Annual Report on Form 10-K for the year ended December 31, 1997; and (c) the Company's Current Report on Form 8-K filed on September 11, 1998.

In addition to the documents already filed, all reports and other documents which we file in the future with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, before this stock offering ends, shall also be incorporated by reference in this Prospectus.

You may request a copy of any of these filings. Such requests should be directed to: Ms. Marion F. Reynolds, Vice President, Secretary and Treasurer, Middlesex Water Company, 1500 Ronson Road, Iselin, New Jersey 08830, phone no. (732) 634-1500. You will not be charged for these copies unless you request exhibits, for which we will charge you a minimal fee. However, you will not be charged for exhibits in any case where the exhibit you request is specifically incorporated by reference into another document which is incorporated by this Prospectus.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS WHICH ARE NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING OF SHARES OF COMMON STOCK COVERED IN THIS PROSPECTUS. IF GIVEN OR MADE, SUCH REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY MIDDLESEX WATER COMPANY OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SHARES OF COMMON STOCK OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

450,000 Shares

MIDDLESEX WATER COMPANY

COMMON STOCK

PROSPECTUS

EDWARD D. JONES & CO., L.P.

JANNEY MONTGOMERY
SCOTT INC.

_____, 1998

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with this Offering (all amounts are estimated except the registration fee) are as follows:

ITEM ----	TO BE PAID BY THE COMPANY -----
Securities and Exchange Commission registration fee.....	3,198
National Association of Securities Dealers, Inc. fee.....	1,700
Nasdaq listing fee.....	10,340
Accounting fees and expenses.....	20,000
Legal fees and expenses.....	66,000
Printing.....	25,000
Blue Sky fees and expenses	5,000
Transfer agent fees and expenses	1,000
Miscellaneous	2,762

Total.....	\$135,000 =====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 14A:3-5 of the New Jersey Business Corporation Act (the "NJBCA") gives the Company power to indemnify each of its directors and officers against expenses and liabilities in connection with any proceeding involving him by reason of his being or having been a director or officer if (a) he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company, and (b) with respect to any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful. However, in a proceeding by or in the right of the Company, there shall be no indemnification in respect of any liabilities or expenses if the officer or director shall have been adjudged liable to the Company unless the Court in such proceeding determines he is entitled to indemnity for such liabilities and/or expenses. No indemnification shall be made to or on behalf of a director or officer if a judgment or other final adjudication adverse to such director or officer establishes that his acts or omissions (a) were in breach of his duty of loyalty to the Company and its shareholders, (b) were not in good faith or involved a knowing violation of law or (c) resulted in receipt by the director or officer of an improper personal benefit.

The NJBCA defines an act or omission in breach of a person's duty of loyalty as an act or omission which that person knows or believes to be contrary to the best interests of the Corporation or its shareholders in connection with a matter in which he has a material conflict of interest. If a director or officer is successful in a proceeding, the statute mandates that the Company indemnify him against expenses.

Article V of the Company's By-laws provides:

"Any present or future director or officer of the Company and any present or future director or officer of any other corporation serving as such at the request of the Company because of the Company's interest in such other corporation, or the legal representative of any such director or officer, shall be indemnified by the Company against reasonable costs, expenses (exclusive of any amount paid to the Company in settlement), and counsel fees paid or incurred in connection with any action, suit, or proceeding to which any such director or officer or his legal representative may be made a party by reason of his being or having been such director or officer; provided, (1) said action, suit, or proceeding shall be prosecuted against such director or officer or against his legal representative to final determination, and it shall not be finally adjudged in said action, suit, or proceeding that he had been derelict in the performance of his duties as such director or officer; or (2) said action, suit or proceeding shall be settled or otherwise terminated as against such director or officer or his legal representative without a final determination on the merits, and it shall be determined by the Board of Directors (or, at the option of the Board of Directors, by a disinterested person or persons selected by the Board of Directors to determine the matter) that said director or officer had not in any substantial way been derelict in the performance of his duties as charged in such action, suit, or proceeding. The right of indemnification provided by this By-law shall be in addition to and not in restriction or limitation of any other privilege or power which the Company may have with respect to the indemnification or reimbursement of directors, officers, or employees."

The Company has in effect a \$20,000,000.00 policy of insurance indemnifying it against certain liabilities to directors and officers of the Company, and indemnifying directors and officers of the Company against certain of the liabilities which they may incur in acting in their capacities as such, all within specific limits. The insurance was purchased from the Federal Insurance Company, a subsidiary of the Chubb Group of Insurance Companies, for a term expiring May 31, 2001.

Pursuant to Section 14A:2-7 of the NJBCA, the Company's shareholders adopted an amendment to the Company's Certificate of Incorporation which provides that a director or officer shall not be personally liable to the Company or its shareholders for damages for breach of any duty owed to the Company or its shareholders, except that such provision shall not relieve a director or officer from liability for any breach of duty based upon an act or omission (a) in breach of such person's duty of loyalty to the Company or its shareholders, (b) not in good faith or involving a knowing violation of law or (c) resulting in receipt by such person of an improper personal benefit.

ITEM 16. EXHIBITS

Exhibits designated with an asterisk (*) are filed herewith. The exhibits not so designated have heretofore been filed with the Commission and are incorporated herein by reference to the documents indicated.

Exhibit No.	Document Description
1.1*	Form of Underwriting Agreement
3.1	Restated Certificate of Incorporation of the Company, as amended, is incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
3.2	Bylaws of the Company, as amended, is incorporated herein by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
4.1	Form of Common Stock Certificate, is incorporated by reference to Exhibit 2(a) filed with the Company's Registration Statement No. 2-55058
4.2	Articles 7A through 7F, 8, 9 and 10 of the Restated Certificate of Incorporation as amended are incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the Year ended December 31, 1997.
5*	Opinion of Counsel Re: Legality of Securities Registered
23.1*	Independent Auditors' Consent
23.2*	Consent of Counsel is included in its legal opinion as Exhibit 5
24	Power of Attorney (is included as a part of the signature page of this registration statement)

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "1933 Act"), may be available to directors, officers and controlling persons of the Company pursuant to the New Jersey Business Corporation Act, the By-laws of the Company, the Underwriting Agreement, or otherwise, the Company has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer, or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

The undersigned Company hereby undertakes that:

(1) For purposes of determining any liability under the 1933 Act, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the 1933 Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For the purposes of determining any liability under the 1933 Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Woodbridge, State of New Jersey on the 3rd day of November, 1998.

MIDDLESEX WATER COMPANY

By: /s/ J. RICHARD TOMPKINS

 J. Richard Tompkins
 President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints J. Richard Tompkins and A. Bruce O'Connor, and either of them (with full power in each to act alone), his true and lawful attorneys-in-fact, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated below.

Person -----	Capacity -----	Date ----
/s/ J. RICHARD TOMPKINS ----- J. Richard Tompkins	Chairman of the Board, President, Chief Executive Officer and Director	November 3, 1998
/s/ JOHN C. CUTTING ----- John C. Cutting	Director	November 3, 1998

/s/ ERNEST C. GERE ----- Ernest C. Gere	Director	November 3, 1998
/s/ JOHN P. MULKERIN ----- John P. Mulkerin	Director	November 3, 1998
/s/ STEPHEN H. MUNDY ----- Stephen H. Mundy	Director	November 3, 1998
/s/ PHILIP H. REARDON ----- Philip H. Reardon	Director	November 3, 1998
/s/ RICHARD A. RUSSO ----- Richard A. Russo	Director	November 3, 1998
/s/ WILLIAM E. SCOTT ----- William E. Scott	Director	November 3, 1998
/s/ JEFFRIES SHEIN ----- Jeffries Shein	Director	November 3, 1998
/s/ A. BRUCE O'CONNOR ----- A. Bruce O'Connor	Vice President and Controller (Chief Financial Officer)	November 3, 1998

EXHIBIT INDEX

Exhibits designated with an asterisk (*) are filed herewith. The exhibits not so designated have heretofore been filed with the Commission and are incorporated herein by reference to the documents indicated.

Exhibit No. -----	Document Description -----
1.1*	Form of Underwriting Agreement
3.1	Restated Certificate of Incorporation of the Company, as amended, is incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
3.2	Bylaws of the Company, as amended, is incorporated herein by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
4.1	Form of Common Stock Certificate, is incorporated by reference to Exhibit 2(a) filed with the Company's Registration Statement No. 2-55058
4.2	Articles 7A through 7F, 8, 9 and 10 of the Restated Certificate of Incorporation as amended are incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the Year ended December 31, 1997.
5*	Opinion of Counsel Re: Legality of Securities Registered
23.1*	Independent Auditors' Consent
23.2*	Consent of Counsel is included in its legal opinion as Exhibit 5
24	Power of Attorney (is included as a part of the signature page of this registration statement)

OF

MIDDLESEX WATER COMPANY

UNDERWRITING AGREEMENT

November __, 1998

Edward D. Jones & Co., L.P.
Janney Montgomery Scott Inc.
c/o Edward D. Jones & Co., L.P.
12555 Manchester Road
St. Louis, Missouri 63131

Ladies and Gentlemen:

Middlesex Water Company, a New Jersey corporation (the "Company"), confirms its agreement with Edward D. Jones & Co., L.P. and Janney Montgomery Scott Inc. (hereinafter collectively referred to as the "Underwriters") as follows:

1. DESCRIPTION OF SHARES. The Company proposes to issue and sell to the Underwriters 450,000 shares of the common stock, without par value (the "Common Stock") of the Company (such 450,000 shares are hereinafter sometimes referred to as the "Firm Shares"). In addition, solely for the purpose of covering over-allotments, the Company proposes to grant the Underwriters the option to purchase up to an additional 67,000 shares of Common Stock (the "Option Shares"). The Firm Shares and the Option Shares are hereinafter sometimes referred to collectively as the "Shares." The Shares are more fully described in the Registration Statement and Prospectus hereinafter defined.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents, warrants and agrees that:

(a) The Company meets the requirements for use of Form S-3 under the Securities Act of 1933, as amended (the "Act") and has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (Registration Statement No. 333-_____) relating to the Shares and the offering thereof in accordance with the Act and has filed such amendments thereto as may have been required to the date hereof. The registration statement has been prepared in conformity with the requirements of the Act and the rules and regulations thereunder (the "Rules and Regulations"). Copies of that registration statement as amended to date have been delivered by

the Company to each of you as the Underwriters. As used in this Agreement, "Preliminary Prospectus" means each prospectus included in that registration statement, or amendments of such registration statement or prospectus, before that registration statement, as so amended, became effective under the Act and any prospectus filed by the Company with the consent of the Underwriter pursuant to Rule 424(a) of the Rules and Regulations and the documents incorporated by reference in such preliminary prospectus. "Registration Statement" means that registration statement including the prospectus, exhibits and financial statements, and all documents incorporated by reference therein, including any information deemed by virtue of Rule 430A(a)(3) of the Rules and Regulations to be part of such Registration Statement, as of the time such registration statement or post-effective amendment became effective under the Act; and "Prospectus" means the prospectus filed with the Commission by the Company with the consent of the Underwriters pursuant to Rule 424(b) of the Rules and Regulations, unless no such Rule 424(b) Prospectus is filed, in which case it shall mean the Prospectus filed as part of the last Registration Statement filed on or before the effective date thereof. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus.

(b) Each Preliminary Prospectus, at the time of the filing thereof, did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which made, not misleading; provided that no representation or warranty is made as to information contained in or omitted from any Preliminary Prospectus in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Underwriters specifically for inclusion therein. The Registration Statement has been declared effective by the Commission.

(c) The Registration Statement and the Prospectus in all material respects: (i) complied as of the date the Registration became effective, (ii) comply as of the date hereof and (iii) will comply as

of the Closing Date, as hereinafter defined, with the requirements of the Act, the Rules and Regulations, the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations of the Commission under the Exchange Act (the "Exchange Act Rules and Regulations"); the Registration Statement and any amendment thereof, at the time it became effective, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, at the time the Registration Statement became effective did not, as of the date hereof does not and as of the Closing Date will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this Paragraph 2.(c) shall not apply to statements in or omissions

from the Registration Statement or the Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by the Underwriters expressly for use in the Registration Statement or the Prospectus.

(d) The documents incorporated by reference into the Prospectus pursuant to Item 12 of Form S-3 under the Act, at the time they were filed with the Commission, complied in all material respects with the requirements of the Exchange Act and the Exchange Act Rules and Regulations and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(e) Deloitte & Touche, the accountants whose report appears in the Prospectus, are independent public accountants as required by the Act and the Rules and Regulations.

(f) The consolidated financial statements of the Company and its subsidiaries filed as part of the Registration Statement or included in any Preliminary Prospectus or the Prospectus present fairly, and the financial statements included in any amendment or supplement to the Prospectus will present fairly, the financial condition and results of operations of the Company and its subsidiaries, at the dates and for the periods indicated, and have been, and in the case of financial statements included in any amendment or supplement to the Prospectus will be, prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved. No other financial statements are required to be set forth in the Registration Statement or the Prospectus under the Act or the Rules and Regulations thereunder.

(g) Except as described in or contemplated by the Registration Statement and the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, neither the Company nor any of its subsidiaries (as defined in Paragraph 12) has incurred any material liability or obligation, direct or contingent, or entered into any material transaction, whether or not in the ordinary course of business, and there has not been any material change on a consolidated basis in the Company's capital stock, or any material increase in the long-term debt of the Company or any of its subsidiaries, or any issuance of options, warrants, convertible securities or other rights to purchase capital stock of such entity, or any material adverse change in, or any adverse development which materially affects, the business, properties, financial condition, results of operations, or prospects of the Company and its subsidiaries taken as a whole.

(h) Each of the Company and its subsidiaries has been duly incorporated, is validly existing and in good standing under the laws of its jurisdiction of incorporation, and the Company and each of its subsidiaries are duly qualified to do business and in good standing as foreign corporations in each jurisdiction in which their respective ownership of property or the conduct of their respective businesses requires such qualification and wherein the failure to be so qualified would have a material adverse effect on the business of the Company and each of its subsidiaries, and have all power and authority necessary to own or hold their properties and to conduct the business in which they are engaged. All outstanding shares of capital stock of the subsidiaries of the Company are owned directly or indirectly by the Company and are validly authorized, issued and outstanding, fully paid and non-assessable with no personal liability attaching to the ownership thereof, and all of such shares are owned free and clear of any lien, pledge or encumbrance or any claim of any third party.

(i) The authorized and outstanding capitalization of the Company as of September 30, 1998 was as set forth in the Registration Statement and the Prospectus, and there have been no changes in the authorized or outstanding capitalization of the Company since September 30, 1998 except as contemplated by the Registration Statement and the Prospectus. When the Shares have been issued, delivered and paid for in the manner herein described, the Shares will be fully paid, duly issued and non-assessable; the Shares conform to all statements relating thereto in the Registration Statement, and holders of the Shares will not be entitled to preemptive rights.

(j) The filing of the Registration Statement and the execution and delivery by the Company of this Agreement, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by the board of directors of the Company, and all necessary corporate action to authorize and approve the same has been taken. This Agreement has been duly executed and delivered by the Company and is a valid and legally binding obligation of the Company.

(k) The Company and its subsidiaries have good and marketable title to, or valid and enforceable leasehold interests in, all items of real and personal property which are material to the business of the Company and its subsidiaries taken as a whole, free and clear of all liens, encumbrances and claims (other than the liens disclosed in the Prospectus) which might materially interfere with the conduct of the business of the Company and its subsidiaries taken as a whole.

(l) Except to the extent disclosed in the Prospectus, neither the Company, nor any of its subsidiaries, is in violation of its corporate charter or bylaws or in default under any obligation, agreement, covenant or condition contained in any mortgage or other material contract, lease, note, indenture or

instrument to which it is a party or by which it may be bound, the effect of which violation or default would be material to the Company and its subsidiaries taken as a whole, or is in violation in any material respect of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject the effect of which violation would be material to the Company and its subsidiaries taken as a whole, or has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business; and the execution, delivery and performance of this Agreement by the Company, the sale of the Shares and the consummation of the transactions contemplated by this Agreement will not conflict with, result in the creation or imposition of any lien, charge or encumbrance upon any of the properties or assets of the Company pursuant to the terms of, or constitute a breach of or default under, any agreement, indenture or instrument to which the Company is a party, or by which the Company is bound, or result in a violation of the corporate charter or bylaws of the Company or any law or ordinance to which the Company or its properties may be subject or of any order, rule or regulation of any court or governmental agency having jurisdiction over the Company or its properties, except for conflicts, breaches, violations or defaults which would be immaterial to the business and operations of the Company and its subsidiaries taken as a whole and which would not affect the validity or enforceability of this Agreement or otherwise adversely affect the rights, duties or obligations of the Underwriters or the holders of the Shares.

(m) No approval or consent of any governmental body, other than (i) as may be required under the Act or in connection or compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, and (ii) approval by the New Jersey Board of Public Utilities and the Delaware Public Service Commission, is legally required for the carrying out by the Company of the provisions of this Agreement.

(n) Except as described in the Registration Statement and the Prospectus, there is no litigation or governmental proceeding pending or, to the knowledge of the Company threatened against the Company or any of its subsidiaries which, if adversely resolved, could reasonably be expected to result in any material adverse change in the business, properties, financial condition, results of operations or prospects of the Company and its subsidiaries taken as a whole or which is required to be disclosed in the Registration Statement or the Prospectus.

(o) There are no contracts or other documents which are required to be filed as exhibits to the Registration Statement by the Act or by the Rules and Regulations which have not been filed as exhibits to the Registration Statement.

(p) The Company and each of its subsidiaries have sufficient authority

under statutory provisions or by grant of franchises or permits by municipalities or counties to conduct in all material respects their respective businesses as presently conducted and as described in the Registration Statement and Prospectus.

(q) Except as set forth in the Registration Statement and the Prospectus, the Company and its subsidiaries are in compliance with all applicable existing federal, state and local laws and regulations relating to protection of human health or the environment or imposing liability or standards of conduct concerning any Hazardous Material ("Environmental Laws"), except for such instances of noncompliance which, either singly or in the aggregate, would not have a material adverse effect on the condition (financial or otherwise), results of operations or properties of the Company and its subsidiaries, taken as a whole. The term "Hazardous Material" means (i) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (ii) any "hazardous waste" as defined by the Resource Conservation and Recovery Act, as amended, (iii) any petroleum or petroleum product, (iv) any polychlorinated biphenyl and (v) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material, waste or substance regulated under or within the meaning of any other law relating to protection of human health or the environment or imposing liability or standards of conduct concerning any such chemical, material, waste or substance.

(r) No material labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent; and the Company knows of no existing or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors which might reasonably be expected to result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries taken as a whole.

(s) Each of the Company and its subsidiaries owns, possesses or has the right to use all material licenses, trademarks, patents, patent rights, inventions, copyrights, service marks and trade names presently employed by it in connection with the businesses now operated by it, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing.

(t) The Company and its subsidiaries maintain insurance covering their properties, operations, personnel and businesses which insures against such losses and risks as are adequate in accordance with its reasonable business judgment to protect the Company and its subsidiaries and their businesses. Neither the Company nor any of its subsidiaries has received notice from any insurer or agent of such insurer that substantial capital improvements

or other expenditures will have to be made in order to continue such insurance. All such insurance is outstanding and duly in force on the date hereof and will be outstanding and duly in force on the Closing Date.

(u) Neither the Company nor any of its subsidiaries is an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

(v) The Company and each of its subsidiaries have all necessary consents, authorizations, approvals, orders, certificates and permits of and from, and have made all declarations and filings with, all federal, state, local and other governmental authorities, all self-regulatory organizations and all courts and other tribunals, to own, lease, license and use their respective properties and assets and to conduct their respective businesses in the manner described in the Prospectus, except to the extent that the failure to obtain or file would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

Any certificate signed by any officer of the Company and delivered to you or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

3. PURCHASE, SALE AND DELIVERY OF SHARES. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell to the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company the number of Firm Shares set forth opposite such Underwriter's name on Schedule 1 hereto. The purchase price for the Firm Shares will be an amount equal to the initial public offering price for the Shares as set forth in the Prospectus (the "Share Public Offering Price"), less _____% of the Share Public Offering Price.

Delivery of the Firm Shares, in definitive form, and payment therefor, shall be made at 10:00 A.M., St. Louis time, on the fourth business day after the Registration Statement shall have been declared effective by the Commission, or on such later date and time as may be agreed upon in writing between the Underwriters and the Company, such day and time of delivery and payment being herein called the "Closing Date." On the Closing Date, the Firm Shares shall be delivered by the Company to the Underwriters at The Depository Trust Company in New York, New York, for the accounts of the several Underwriters against payment of the purchase price therefor in funds immediately available to the order of the Company. The Company agrees to make available to the Underwriters for inspection and packaging in New York, New York, at least one full business day prior to the Closing Date, certificates for the Shares so to be delivered in good delivery form and in such denominations and registered in such names as the Underwriters shall have requested, all such requests to have been

made in writing at least one full business day prior to the Closing Date.

In addition, on the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company hereby grants to the Underwriters the option to purchase all or a portion of the Option Shares as may be necessary to cover over-allotments, at the Share Public Offering Price, less _____% of the Share Public Offering Price. Such Option Shares shall be purchased for the account of each Underwriter in the same proportion as the number of Firm Shares set forth opposite such Underwriter's name bears to the total number of Firm Shares (subject to adjustment by Edward D. Jones & Co., L.P. to avoid fractions). This option may be exercised only to cover over-allotments in the sale of Firm Shares by the Underwriters. This option may be exercised at any time (but not more than once) on or before the thirtieth day following the effective date of the Registration Statement by written notice by you to the Company. Such notice shall set forth the number of Option Shares as to which the option is being exercised, and the date and time, as reasonably determined by the Underwriters, when the Option Shares are to be delivered (such date and time being herein sometimes referred to as the "Additional Closing Date"); provided, however, that the Additional Closing Date shall not be earlier than the Closing Date nor earlier than the third business day after the date on which the option shall have been exercised nor later than the eighth business day after the day on which the option shall have been exercised, unless otherwise agreed by the parties.

Payment for the Option Shares shall be made in immediately available funds, payable to the order of the Company, at the offices of the Company, or such other place as shall be agreed upon between us, against delivery of the Option Shares to the Underwriters through the facilities of The Depository Trust Company for the account of the Underwriters.

Certificates for the Option Shares shall be in such denominations and registered in such names as requested in writing by the Underwriters at least two business days prior to the Additional Closing Date.

4. COVENANTS. The Company covenants and agrees with the Underwriters:

(a) To furnish promptly to the Underwriters and counsel for the Underwriters one signed copy of the Registration Statement as originally filed, and of each amendment thereto filed with the Commission, including all consents and exhibits filed therewith.

(b) To deliver promptly to the Underwriters such number of conformed copies of the Registration Statement as originally filed and each amendment thereto (excluding exhibits other than this Agreement) and of each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus as the Underwriters may reasonably request.

(c) To file promptly with the Commission the Prospectus pursuant to Rule 424(b) of the Rules and Regulations and to file with the Commission any amendment to the Registration Statement or the Prospectus or any supplement to the Prospectus that may, in the reasonable judgment of the Company or the Underwriters, be required by the Act or requested by the Commission and approved by the Underwriters.

(d) Prior to filing with the Commission any amendment to the Registration Statement or amendment or supplement to the Prospectus, or to filing any Prospectus pursuant to Rule 424 of the Rules and Regulations, to furnish a copy thereof to the Underwriters and counsel for the Underwriters and obtain the consent of the Underwriters to the filing (which consent will not be unreasonably withheld).

(e) To use its best efforts to cause any required post-effective amendment to the Registration Statement to become effective and to advise the Underwriters promptly (i) when any post-effective amendment to the Registration Statement becomes effective, (ii) of any request or proposed request by the Commission for an amendment to the Registration Statement, an amendment or a supplement to the Prospectus or for any additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation or threat of any stop order proceeding, (iv) of receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose, and (v) of the happening of any event which makes untrue any statement of a material fact made in the Registration Statement or the Prospectus, or which requires the making of a change in the Registration Statement or the Prospectus in order to make any material statement therein not misleading.

(f) If, at any time when a prospectus relating to the Shares is required to be delivered under the Act, any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it shall be necessary to amend or supplement the Registration Statement or the Prospectus to comply with the Act or the Exchange Act or the rules and regulations of the Commission under such Acts, the Company promptly will prepare and file with the Commission, subject to Paragraph 4.(d), an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance.

(g) If the Commission shall issue a stop order suspending the effectiveness of the Registration Statement, to make every reasonable effort to obtain the lifting of that order at the earliest possible time.

(h) As soon as practicable after the effective date of the Registration Statement, to make generally available to its security holders and to deliver to the Underwriters an earnings statement, conforming with the requirements of Section 11(a) of the Act, covering a period of at least twelve months beginning after the effective date of the Registration Statement, provided that the Company may comply with this Paragraph 4.(h) by complying with the safe harbor provisions of Rule 158 of the Rules and Regulations.

(i) For a period of three years from the effective date of the Registration Statement, to furnish to the Underwriters copies of all reports to shareholders and all reports, filings and financial statements furnished by the Company to any securities exchange pursuant to requirements of or agreements with such exchange or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder.

(j) To endeavor to qualify the Shares for offer and sale under the securities laws of such jurisdictions as the Underwriters may reasonably request, provided that no such qualification shall be required if as a result thereof the Company would be required to qualify as a foreign corporation, subject itself to general taxation or would be made subject to service of general process, in each case in any jurisdiction in which it is not so qualified or subject; and to maintain such qualifications in effect so long as required for the distribution of the Shares and to arrange for the determination of the legality of the Shares for purchase by institutional investors.

(k) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay (i) the costs incident to the sale and delivery of the Shares and any taxes payable in that connection; (ii) the costs incident to the preparation, printing and filing under the Act of the Registration Statement, any Preliminary Prospectus, the Prospectus and any amendments, supplements and exhibits thereto; (iii) the costs of distributing the Registration Statement as originally filed and each amendment thereto and any post-effective amendments thereof (including exhibits), any Preliminary Prospectus, the Prospectus, and any amendment or supplement to the Prospectus; (iv) the costs, if any, of printing and distributing this Agreement; (v) the costs of filings incident to securing any required review by the National Association of Securities Dealers, Inc.; (vi) the fees and expenses of qualifying the Shares under the securities laws of the several jurisdictions as provided in this Paragraph 4 and of preparing and printing a Blue Sky Memorandum (including related fees and expenses of counsel to the Underwriters); (vii) the cost of printing the certificates for the Shares; (viii) the fees and expenses of the Company's accountants and counsel; and (ix) all other

costs and expenses incident to the performance of the obligations of the Company under this Agreement; provided, however, that except as provided in sub-parts (v) and (vi) of this Paragraph 4.(k) and in Paragraph 9, the Underwriters shall pay their own costs and expenses, including the fees and expenses of its counsel, any transfer taxes on the Shares which it may sell and the expenses of advertising any offering of the Shares made by the Underwriters.

(l) Until the termination of the offering of the Shares, to file timely all documents, and any amendments to previously filed documents, required to be filed by it pursuant to the Exchange Act.

(m) To apply the net proceeds of the Shares as set forth in the Prospectus.

(n) For a period of 60 days after the effective date of the Registration Statement the Company will not, without the prior written consent of the Underwriters, directly or indirectly sell, contract to sell or otherwise dispose of any shares of the Company's Common Stock or rights to acquire such shares, except for the Shares sold hereunder and except pursuant to (i) stock option plans or in connection with other incentive compensation arrangements, or (ii) the exercise of warrants, and the Company will obtain a similar agreement from each of its directors and executive officers listed in the Prospectus.

5. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters hereunder are subject to the accuracy, when made and on the Closing Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed to the extent required; at or before the Closing Date, no stop order suspending the effectiveness of the Registration Statement shall have been issued, and prior to that time no stop order proceeding nor any order directed at any document incorporated by reference in the Prospectus shall have been initiated or, to the knowledge of the Company, threatened by the Commission, and no challenge shall have been made to any document incorporated by reference in the Prospectus; any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with; and the Company shall not have filed with the Commission the Prospectus or any amendment or supplement to the Registration Statement or the Prospectus without the consent of the Underwriters.

(b) The Underwriters shall not have discovered and disclosed to the Company on or prior to the Closing Date that the Registration Statement or the

Prospectus or any amendment or supplement thereto contains an untrue statement of a fact which, in the reasonable opinion of the Underwriters or Armstrong, Teasdale, Schlafly, & Davis, counsel for the Underwriters, is material or omits to state a fact that, in the reasonable opinion of the Underwriters or such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Shares, the form of the Registration Statement and the Prospectus, other than financial statements and other financial data, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be satisfactory in all reasonable respects to Armstrong, Teasdale, Schlafly, & Davis, counsel for the Underwriters; and the Company shall have furnished to such counsel all documents and information that such counsel may reasonably request to enable them to pass upon such matters.

(d) Norris, McLaughlin & Marcus, P.A., as counsel to the Company, shall have furnished to the Underwriters their opinion, addressed to the Underwriters and dated the Closing Date, to the effect that:

(i) Each of the Company and its subsidiaries has been duly incorporated and is validly existing and in good standing under the laws of its jurisdiction of incorporation, is duly qualified to do business and in good standing as a foreign corporation in each jurisdiction in which its ownership of property or conduct of business requires such qualification and wherein the failure to be so qualified would have a material adverse effect on the business of the Company or such subsidiary, and has all corporate power and authority necessary to own or hold its properties and conduct the business in which it is engaged as described in the Prospectus.

(ii) All of the outstanding shares of Common Stock of the Company (including the Shares) have been duly authorized and validly issued, are fully paid and non-assessable and conform to the description thereof in the Prospectus; and the shareholders of the Company have no preemptive rights with respect to the Shares being issued and sold by the Company hereunder under the terms of the Company's charter and bylaws or New Jersey law and, to the knowledge of such counsel after reasonable inquiry, under the terms of or pursuant to any other agreement, law or regulation.

(iii) All corporate action required to have been taken by the Company for the due and proper authorization, issuance, sale and delivery of the Shares, has been validly and sufficiently taken, and the

Shares have been duly authorized, validly issued and are non-assessable.

(iv) To the knowledge of such counsel based upon communications with representatives of the Commission, (A) the Registration Statement is effective under the Act, and (B) the Prospectus was timely filed with the Commission as required. To the knowledge of such counsel, (C) no stop order suspending the effectiveness of the Registration Statement has been issued, and (D) no proceeding for that purpose is pending or threatened by the Commission.

(v) To the knowledge of such counsel, (A) no order directed to any document incorporated by reference in the Prospectus has been issued by the Commission or any court, government or regulatory body and (B) no pending or threatened challenge has been made to the accuracy or adequacy of any such document.

(vi) The Registration Statement and the Prospectus and each amendment or supplement, if any, thereto comply as to form in all material respects with the requirements of the Act and the Rules and Regulations thereunder and the rules and regulations of the Commission under such act (except that no opinion need be expressed as to the financial statements or financial data contained therein).

(vii) The statements made in the Prospectus, insofar as they purport to summarize the provisions of statutes, legal and governmental proceedings, contracts or other documents specifically referred to therein are accurate and fairly present the information called for with respect thereto by Form S-3 under the Act (except that no opinion need be expressed as to financial statements or financial or statistical data contained therein).

(viii) To such counsel's knowledge, except as disclosed in the Prospectus, there is no litigation or any governmental proceeding pending or threatened against the Company or any of its subsidiaries which could have a material adverse effect on the Company and its subsidiaries taken as a whole or which is required to be disclosed in the Registration Statement or the Prospectus.

(ix) To such counsel's knowledge, there are no contracts or other documents which are required to be filed as exhibits to the Registration Statement by the Act or by the Rules and Regulations which have not been filed as exhibits to the Registration Statement as permitted by the Rules and Regulations.

(x) To such counsel's knowledge, neither the Company nor any of its subsidiaries is in violation of its corporate charter or bylaws, or in default under any agreement, indenture or instrument, the effect of which violation or default would be material to the Company and its subsidiaries taken as a whole, or is in violation in any material respect of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject or, except as disclosed in the Prospectus, has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business.

(xi) This Agreement has been duly authorized, executed and delivered by the Company. The Agreement and the transactions contemplated by this Agreement will not conflict with any agreement of the Company or its subsidiaries known to counsel, will not create a lien or encumbrance upon any property of the Company or its subsidiaries, will not violate the articles of incorporation or bylaws of the Company or its subsidiaries and will not violate any law or governmental ordinance, order or regulation, except to the extent that such conflict, lien, encumbrance or violation would have no material adverse effect on the Company and its subsidiaries taken as a whole.

(xii) No approval or consent of any governmental body, other than (i) as may be required in connection or compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, and (ii) approval by the New Jersey Board of Public Utilities and the Delaware Public Service Commission, is legally required for the issue and sale of the Shares by the Company or for the carrying out by the Company of the provisions of this Agreement.

Such counsel also shall confirm that during the preparation of the Registration Statement and Prospectus, such counsel has participated in conferences with your representatives and counsel for the Underwriters, and with officers and representatives of the Company, at which conferences the contents of the Registration Statement and Prospectus were discussed, reviewed and revised. On the basis of the information which was developed in the course thereof, considered in light of such counsel's understanding of applicable law and the experience gained by such counsel thereunder, such counsel shall confirm that nothing came to such counsel's attention that would lead such counsel to believe that either the Registration Statement or Prospectus or any amendment or supplement thereto (other than the financial statements and notes thereto, or any related schedules therein, as to which such counsel need express no opinion) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) On the Closing Date, there shall have been furnished to you a certificate, dated such date, from the Company, signed on behalf of the Company by the President and Chief Executive Officer and the Treasurer and Chief Financial Officer, stating that to the knowledge of the officers signing such certificate:

(i) The representations, warranties and agreements of the Company in Paragraph 2 are true and correct as of such date; the Company has complied with all its agreements contained herein; and the conditions set forth in Paragraph 5.(a) have been fulfilled;

(ii) Neither the Registration Statement, as of its effective date, nor the Prospectus, as of its date, included any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement to or amendment of the Prospectus which has not been set forth in such a supplement or amendment; and

(iii) No stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been instituted or are pending or threatened, under the Act.

(f) On the date of this Agreement and on the Closing Date, Deloitte & Touche shall have furnished to you letters dated such dates substantially in the form of a draft of such letter previously delivered to you.

(g) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not have been any change specified in the letter referred to in Paragraph 5.(f) which makes it impractical or inadvisable in the reasonable judgment of the Underwriters to proceed with the public offering or delivery of the Shares as contemplated by the Prospectus.

(h) The Underwriters shall have received from Armstrong, Teasdale, Schlafly & Davis, counsel for the Underwriters, such opinion or opinions, dated the Closing Date, with respect to the issuance and sale of the Shares, the Registration Statement, the Prospectus, and other related matters as the Underwriters may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to the Underwriters and Armstrong, Teasdale, Schlafly & Davis, counsel for the Underwriters.

If any of the conditions specified in this Paragraph 5 shall not have been fulfilled when and as provided in this Agreement, or if any of the opinions or certificates mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Underwriters and their counsel, this Agreement and all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Underwriters.

6. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company shall indemnify and hold harmless the Underwriters and each person, if any, who controls the Underwriters within the meaning of the Act from and against any loss, claim, damage or liability, joint or several, and any action in respect thereof, to which the Underwriters or any such controlling person may become subject, under the Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, or the Registration Statement or Prospectus as amended or supplemented, or arises out of, or is based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse the Underwriters and each such controlling person for any legal and other expenses reasonably incurred by the Underwriters or such controlling person for any legal and other expenses reasonably incurred by the Underwriters or such controlling person in investigating or defending or preparing to defend against any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus or in the Registration Statement or the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by the Underwriters specifically for inclusion therein; and provided further that as to any Preliminary Prospectus this indemnity agreement shall not inure to the benefit of the Underwriters or any person controlling the Underwriters on account of any loss, claim, damage, liability or action arising from the sale of Shares to any person by the Underwriters if the Underwriters failed to send or give a copy of any Prospectus, as the same may be amended or supplemented, to that person within the time required by the Act, and the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such Preliminary Prospectus was corrected in such Prospectus, unless such

failure resulted from non-compliance by the Company with Paragraph 4.(b) hereof. The foregoing indemnity is in addition to any liability which the Company may otherwise have to the Underwriters or any controlling person of the Underwriters.

(b) The Underwriters agree to indemnify and hold harmless the Company, its directors and officers who signed the Registration Statement and any person who controls the Company within the meaning of the Act from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus or the Registration Statement or Prospectus as amended or supplemented, or arises out of, or is based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by the Underwriters specifically for inclusion therein, and shall reimburse the Company and its directors, officers and controlling persons for any legal and other expenses reasonably incurred by the Company or any such director, officer or controlling person in investigating or defending or preparing to defend against any such loss, claim, damage, liability or action. The foregoing indemnity agreement is in addition to any liability which the Underwriters may otherwise have to the Company.

(c) Promptly after receipt by an indemnified party under this Paragraph 6 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Paragraph 6, notify the indemnifying party in writing of the claim or the commencement of that action, provided that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Paragraph 6. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein, and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. After notice from the indemnifying party to the indemnified party of its

election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Paragraph 6 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense other than reasonable costs of investigation, unless (i) the indemnified party shall have employed such counsel in connection with the assumption of legal defenses in accordance with the proviso to the next preceding sentence, (ii) the indemnified party shall have reasonably concluded that there may be a conflict of interest between the indemnifying party and the indemnified party in the conduct of the defense of such action (in which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party), (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iv) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

(d) If the indemnification provided for in this Paragraph 6 shall for any reason be unavailable to an indemnified party under Paragraph 6.(a) or 6.(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares (before deducting expenses) received by the Company bears to the total underwriting discounts and commissions received by the Underwriters with respect to such offering, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Paragraph 6.(d) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Paragraph 6.(d) shall be deemed to include, for purposes of this Paragraph 6.(d), any legal or other expenses

reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Paragraph 6.(d), the Underwriters shall not be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by them and distributed to the public was offered to the public exceeds the amount of any damages which the Underwriters have otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The Underwriters confirm that the statements with respect to the public offering of the Shares set forth on the cover page of, and under the caption "Underwriting" in, the Prospectus are correct and were furnished in writing to the Company by the Underwriters for inclusion in the Registration Statement and the Prospectus.

(f) The agreements contained in this Paragraph 6 and the representations, warranties and agreements of the Company contained in Paragraphs 2 and 4 shall survive the delivery of the Shares and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

7. TERMINATION BY THE UNDERWRITERS. The obligations of the Underwriters hereunder may be terminated by the Underwriters, in its absolute discretion, by notice given to and received by the Company prior to delivery of and payment for the Shares, if prior to that time (a)(i) the Company shall have failed, refused or been unable to perform any agreement on its part to be performed hereunder, (ii) any other condition to the Underwriters' obligations hereunder is not fulfilled, (iii) the Company sustains a loss, whether or not insured, by reason of fire, flood, accident or other calamity, which, in the reasonable opinion of the Underwriters, substantially affects the value of the properties of the Company or which materially interferes with the operation of the business of the Company, (iv) trading generally shall have been suspended or materially limited on or by the New York Stock Exchange or American Stock Exchange or the National Association of Securities Dealers or trading in any securities of the Company shall have been suspended by any securities exchange or in the over the counter market, (v) a banking moratorium is declared by the United States, or by New York, Missouri, New Jersey or Delaware state authorities, (vi) an outbreak of major hostilities or other national or international calamity occurs, (vii) any action is taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriters, has a material adverse effect on the United States securities markets, or (viii) there is a pending or threatened material legal or governmental proceeding against the Company, other than proceedings described in the Registration Statement or amendments or supplements thereto delivered to the Underwriters prior to the execution of this Agreement, which in the reasonable opinion of the Underwriters has a material adverse

effect upon the Company, and (b) with respect to the events specified in clauses (a)(i) through (a)(iii) hereof, such event singly or together with other such events makes it, in your reasonable judgment, impractical to market the Shares on the terms and in the manner contemplated in the Prospectus.

8. TERMINATION BY THE COMPANY. The obligation of the Company to deliver the Shares upon payment therefor shall be subject to the following conditions:

On the Closing Date no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall then be pending before, or threatened by, the Commission.

In case any of the conditions specified above in this Paragraph 8 shall not have been fulfilled, this Agreement may be terminated by the Company by delivering written notice of termination to the Underwriters. Any such termination shall be without liability of any party to any other party except to the extent provided in Paragraph 4.(k) and Paragraph 9 hereof.

9. EXPENSES FOLLOWING TERMINATION. If the sale of Shares provided for herein is not consummated because of any refusal, inability or failure on the part of the Company to comply with any of the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform all its obligations under this Agreement, the Company shall not be liable to the Underwriters for damages arising out of the transactions covered by this Agreement, provided however that (i) the Company shall remain liable to the extent provided in Paragraphs 4.(k), 6.(a) and 6.(d) hereof and (ii) except where termination occurs pursuant to Section 8 hereof, the Company shall pay the out-of-pocket expenses incurred by the Underwriters in contemplation of the performance by it of its obligations hereunder, including the fees and disbursements of its counsel and travel, postage, telegraph and telephone expenses.

10. NOTICES. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made by the Underwriters. Any notice to the Underwriters shall be sufficient if given in writing or by telecopy addressed to Edward D. Jones & Co., L.P., 12555 Manchester Road, St. Louis, Missouri 63131, Attention: James A. Krekeler; any notice to the Company shall be sufficient if given in writing or by telecopy addressed to the Company at: 1500 Ronson Road, Iselin, New Jersey 08830 (Attention: A. Bruce O'Connor).

11. PARTIES. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (a) the representations, warranties, indemnities and agreements of the Company

contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, who control the Underwriters within the meaning of Section 15 of the Act, and (b) the indemnities and agreements of the Underwriters contained in Paragraph 6 of this Agreement shall be deemed to be for the benefit of directors of the Company, officers of the Company who have signed the Registration Statement and any person controlling the Company. Nothing in this Agreement is intended or shall be construed to give any person other than the persons referred to in this paragraph any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

12. DEFINED TERMS. For purposes of this Agreement, (a) "business day" means any day on which the New York Stock Exchange is open for trading, and (b) "subsidiary" shall have the meaning set forth in Rule 405 of the Rules and Regulations.

13. SUCCESSORS. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns and the officers and directors and controlling persons referred to in Paragraph 6 hereof, and no other person will have any right or obligation hereunder. The term "successors and assigns" as used in this Agreement shall not include any purchaser, as such purchaser, of any of the Shares from the Underwriters.

14. COUNTERPARTS. This Agreement may be executed in multiple counterparts, all of which, when taken together, shall constitute one and the same agreement among the parties to such counterparts.

15. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

If the foregoing correctly sets forth the agreement between the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose.

Very truly yours,

MIDDLESEX WATER COMPANY

By: _____
Name: _____
Title: _____

Accepted:

EDWARD D. JONES & CO., L.P.

By:

James A. Krekeler
Principal

JANNEY MONTGOMERY SCOTT INC.

By: _____

Name: _____

Title: _____

November 3, 1998

Middlesex Water Company
1500 Ronson Road
Iselin, New Jersey

Ladies and Gentlemen:

We refer you to the proposed Registration Statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended, of Middlesex Water Company (the "Company") pertaining to the offer and sale by the Company of 517,000 shares of the Company's Common Stock, no par value (the "Common Shares").

We have acted as counsel to the Company in connection with the Registration Statement. In such capacity, we have examined the Registration Statement, copies of the Company's Certificate of Incorporation and amendments thereto, certificates of officers of the Company and of public officials and such other corporate records and documents as we have deemed necessary in order to express the opinion set forth below.

Based upon the foregoing examination, it is our opinion that the Common Shares are duly authorized and, upon the issuance of certificates evidencing the Common Shares and delivery thereof in exchange for payment of the price per share to the public less the underwriters' discount per share disclosed in the Prospectus included in the Registration Statement at the time it becomes effective or filed with the Commission subsequent to effectiveness pursuant to Rule 424(b)1), the Common Shares will be validly issued, fully paid and nonassessable.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement and the reference to our firm in the prospectus included in such Registration Statement under the heading "Legal Matters."

Very truly yours,

NORRIS, McLAUGHLIN & MARCUS
A Professional Corporation

/s/ NORRIS, McLAUGHLIN & MARCUS

Norris, McLaughlin & Marcus

EXHIBIT 23.1

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in this Registration Statement of Middlesex Water Company on Form S-3 of our report dated February 13, 1998 appearing in and incorporated by reference in the Annual Report on Form 10-K of Middlesex Water Company for the year ended December 31, 1997 and to the reference to us under the heading "Experts" in this Registration Statement.

Deloitte & Touche LLP

November 3, 1998