

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-422

MIDDLESEX WATER COMPANY  
(Exact name of registrant as specified in its charter)

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

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

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

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

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act):

Yes  No

The number of shares outstanding of each of the registrant's classes of common stock, as of August 1, 2005: Common Stock, No Par Value: 11,453,119 shares outstanding.

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MIDDLESEX WATER COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Operating Revenues	\$ 18,430,751	\$ 17,769,913	\$ 35,173,654	\$ 33,645,646
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Operating Expenses:				
Operations	9,409,108	9,357,580	18,451,104	18,261,671
Maintenance	979,119	808,459	1,877,804	1,670,967
Depreciation	1,620,159	1,449,469	3,168,207	2,885,699
Other Taxes	2,163,520	2,026,107	4,246,654	3,971,301
Income Taxes	894,714	1,018,643	1,561,484	1,526,002
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Total Operating Expenses	15,066,620	14,660,258	29,305,253	28,315,640
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Operating Income	3,364,131	3,109,655	5,868,401	5,330,006
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Other Income (Expense):				
Allowance for Funds Used During Construction	140,456	80,721	350,906	130,282
Other Income	35,943	117,759	91,162	137,565
Other Expense	(16,324)	(26,440)	(24,469)	(29,676)
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Total Other Income, net	160,075	172,040	417,599	238,171
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Interest Charges	1,578,078	1,391,364	2,960,170	2,644,206
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Net Income	1,946,128	1,890,331	3,325,830	2,923,971
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Preferred Stock Dividend Requirements	63,696	63,696	127,393	127,393
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Earnings Applicable to Common Stock	\$ 1,882,432	\$ 1,826,635	\$ 3,198,437	\$ 2,796,578
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Earnings per share of Common Stock:				
Basic	\$ 0.17	\$ 0.17	\$ 0.28	\$ 0.26
Diluted	\$ 0.16	\$ 0.16	\$ 0.28	\$ 0.26
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Average Number of Common Shares Outstanding :				
Basic	11,392,964	11,068,164	11,380,290	10,823,630
Diluted	11,736,104	11,411,304	11,723,430	11,166,770
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Cash Dividends Paid per Common Share	\$ 0.1675	\$ 0.1650	\$ 0.3350	\$ 0.3300

See Notes to Condensed Consolidated Financial Statements.

MIDDLESEX WATER COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

ASSETS		June 30, 2005	December 31, 2004
<b>UTILITY PLANT:</b>			
	Water Production	\$ 90,016,001	\$ 82,340,798
	Transmission and Distribution	195,627,732	188,026,091
	General	23,235,929	20,451,215
	Construction Work in Progress	4,522,572	13,013,391
	TOTAL	313,402,234	303,831,495
	Less Accumulated Depreciation	52,843,576	52,017,761
	UTILITY PLANT - NET	260,558,658	251,813,734
<b>CURRENT ASSETS:</b>			
	Cash and Cash Equivalents	1,775,866	4,034,768
	Accounts Receivable, net	6,887,716	6,316,853
	Unbilled Revenues	4,469,823	3,572,713
	Materials and Supplies (at average cost)	1,484,304	1,203,906
	Prepayments	1,148,964	823,976
	TOTAL CURRENT ASSETS	15,766,673	15,952,216
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>			
	Unamortized Debt Expense	3,095,555	3,172,254
	Preliminary Survey and Investigation Charges	1,525,533	1,032,182
	Regulatory Assets	8,185,848	8,198,565
	Restricted Cash	8,943,926	13,257,106
	Non-utility Assets, net	5,573,584	5,237,622
	Other	554,826	465,419
	TOTAL DEFERRED CHARGES AND OTHER ASSETS	27,879,272	31,363,148
	TOTAL ASSETS	\$ 304,204,603	\$ 299,129,098
<b>CAPITALIZATION AND LIABILITIES</b>			
<b>CAPITALIZATION:</b>			
	Common Stock, No Par Value	\$ 73,187,022	\$ 71,979,902
	Retained Earnings	22,492,587	23,103,908
	Accumulated Other Comprehensive Income, net of tax	53,888	44,841
	TOTAL COMMON EQUITY	95,733,497	95,128,651
	Preferred Stock	4,063,062	4,063,062
	Long-term Debt	115,376,100	115,280,649
	TOTAL CAPITALIZATION	215,172,659	214,472,362
<b>CURRENT LIABILITIES:</b>			
	Current Portion of Long-term Debt	1,185,882	1,091,351
	Notes Payable	14,000,000	11,000,000
	Accounts Payable	5,070,380	6,001,806
	Accrued Taxes	7,204,777	6,784,380
	Accrued Interest	1,942,373	1,703,131
	Unearned Revenues and Advanced Service Fees	463,696	387,156
	Other	659,381	795,456
	TOTAL CURRENT LIABILITIES	30,526,489	27,763,280
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 6)</b>			
<b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>			
	Customer Advances for Construction	12,178,644	12,366,060
	Accumulated Deferred Investment Tax Credits	1,657,258	1,696,566
	Accumulated Deferred Income Taxes	14,682,242	14,556,153
	Employee Benefit Plans	6,357,169	5,464,056
	Regulatory Liability - Cost of Utility Plant Removal	5,431,423	5,363,152
	Other	812,069	849,551
	TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	41,118,805	40,295,538

CONTRIBUTIONS IN AID OF CONSTRUCTION	17,386,650	16,597,918
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TOTAL CAPITALIZATION AND LIABILITIES	\$ 304,204,603	\$ 299,129,098
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See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 3,325,830	\$ 2,923,971
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,509,017	3,020,567
Provision for Deferred Income Taxes and ITC	(159,513)	39,170
Allowance for Funds Used During Construction	(350,906)	(130,282)
Changes in Assets and Liabilities:		
Accounts Receivable	(570,863)	(785,289)
Unbilled Revenues	(897,110)	(873,204)
Materials & Supplies	(280,398)	(215,910)
Prepayments	(324,988)	(200,973)
Other Assets	(155,411)	(222,368)
Accounts Payable	(931,426)	669,749
Accrued Taxes	415,736	559,769
Accrued Interest	239,242	(178,028)
Employee Benefit Plans	893,113	(24,223)
Unearned Revenue & Advanced Service Fees	76,540	231,263
Other Liabilities	(173,557)	289
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,615,306</b>	<b>4,814,501</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Utility Plant Expenditures*	(11,592,836)	(9,035,216)
Cash Surrender Value & Other Investments	(154,744)	(57,864)
Restricted Cash	4,313,180	823,690
Preliminary Survey & Investigation Charges	(493,351)	318,934
Other Assets	-	25,859
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(7,927,751)</b>	<b>(7,924,597)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemption of Long-term Debt	(350,109)	(335,280)
Proceeds from Issuance of Long-term Debt	540,091	1,242,581
Net Short-term Bank (Repayments) Borrowings	3,000,000	(8,000,000)
Deferred Debt Issuance Expenses	(7,724)	(11,859)
Common Stock Issuance Expense	-	(303,222)
Proceeds from Issuance of Common Stock	1,207,120	14,239,689
Payment of Common Dividends	(3,809,758)	(3,608,581)
Payment of Preferred Dividends	(127,393)	(127,393)
Construction Advances and Contributions-Net	601,316	46,027
<b>NET CASH (USED BY) PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,053,543</b>	<b>3,141,962</b>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>(2,258,902)</b>	<b>31,866</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>4,034,768</b>	<b>3,005,610</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 1,775,866</b>	<b>\$ 3,037,476</b>

\*Excludes Allowance for Funds Used During Construction.

**SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:**

Cash Paid During the Period for:		
Interest	\$ 2,779,732	\$ 2,822,152
Interest Capitalized	\$ (350,906)	\$ (130,282)
Income Taxes	\$ 1,807,000	\$ 1,435,500

See Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2005	December 31, 2004
=====		
Common Stock, No Par Value		
Shares Authorized - 20,000,000		
Shares Outstanding - 2005 - 11,419,347	\$ 73,187,022	\$ 71,979,902
2004 - 11,358,772		
Retained Earnings	22,492,587	23,103,908
Accumulated Other Comprehensive Income, net of tax	53,888	44,841
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TOTAL COMMON EQUITY	95,733,497	95,128,651
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Cumulative Preference Stock, No Par Value:		
Shares Authorized - 100,000		
Shares Outstanding - None		
Cumulative Preferred Stock, No Par Value		
Shares Authorized - 140,497		
Convertible:		
Shares Outstanding, \$7.00 Series - 14,881	1,562,505	1,562,505
Shares Outstanding, \$8.00 Series - 12,000	1,398,857	1,398,857
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1,017	101,700	101,700
Shares Outstanding, \$4.75 Series - 10,000	1,000,000	1,000,000
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TOTAL PREFERRED STOCK	4,063,062	4,063,062
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Long-term Debt		
8.05%, Amortizing Secured Note, due December 20, 2021	3,024,283	3,063,389
6.25%, Amortizing Secured Note, due May 22, 2028	9,625,000	9,835,000
4.22%, State Revolving Trust Note, due December 31, 2022	769,238	784,000
3.60%, State Revolving Trust Note, due May 1, 2025	2,888,407	2,348,316
4.00% to 5.00%, State Revolving Trust Bond, due September 1, 2021	790,000	790,000
0.00%, State Revolving Fund Bond, due September 1, 2021	641,580	652,306
First Mortgage Bonds:		
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
5.35%, Series W, due February 1, 2038	23,000,000	23,000,000
0.00%, Series X, due September 1, 2018	742,578	755,006
4.25% to 4.63%, Series Y, due September 1, 2018	920,000	920,000
0.00%, Series Z, due September 1, 2019	1,650,588	1,679,979
5.25% to 5.75%, Series AA, due September 1, 2019	2,085,000	2,085,000
0.00%, Series BB, due September 1, 2021	2,014,399	2,048,095
4.00% to 5.00%, Series CC, due September 1, 2021	2,275,000	2,275,000
5.10%, Series DD, due January 1, 2032	6,000,000	6,000,000
0.00%, Series EE, due September 1, 2024	7,715,909	7,715,909
3.00% to 5.50%, Series FF, due September 1, 2024	8,920,000	8,920,000
-----		
SUBTOTAL LONG-TERM DEBT	116,561,982	116,372,000
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Less: Current Portion of Long-term Debt	(1,185,882)	(1,091,351)
-----		
TOTAL LONG-TERM DEBT	\$ 115,376,100	\$ 115,280,649
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See Notes to Condensed Consolidated Financial Statements.

MIDDLESEX WATER COMPANY  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

The consolidated notes within the 2004 Form 10-K are applicable to these financial statements and, in the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position as of June 30, 2005 and the results of operations for the three and six month periods ended June 30, 2005 and 2004, and cash flows for the six month periods ended June 30, 2005 and 2004. Information included in the Condensed Consolidated Balance Sheets as of December 31, 2004, has been derived from the Company's audited financial statements for the year ended December 31, 2004.

Recent Accounting Pronouncements - In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.154, "Accounting Changes and Error Corrections" (SFAS 154), which requires retrospective application to prior periods' financial statements of voluntary changes in accounting principles unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. SFAS 154 replaces Accounting Principles Bulletin (APB) No. 20, "Accounting Changes" (APB 20), and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. APB 20 previously required that most voluntary changes in accounting principle be recognized by including the cumulative effect of changing to the new accounting principle in the net income of the period of the change. SFAS 154 requires that a change in depreciation, amortization or depletion method for long-lived non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle, whereas APB 20 had required accounting for such a change as a change in accounting principle. SFAS 154 carries forward the guidance in APB 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate as well as the requirement for justifying a change in accounting principle on the basis of a preference. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 (January 1, 2006 for the Company).

In December 2004, the FASB issued SFAS No.123(R), "Share-Based Payment" (SFAS 123(R)), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The Statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. The Statement also establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans. This statement was



originally effective for quarters beginning after June 15, 2005, however on April 14, 2005, the Securities and Exchange Commission adopted a rule which makes the provisions of SFAS 123(R) effective for fiscal periods beginning after June 15, 2005 (January 1, 2006 for the Company). The Company currently recognizes compensation expense at fair value for stock-based payment awards in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation," and does not anticipate adoption of this standard will have a material impact on its financial position, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29 (SFAS 153). SFAS 153 addresses the measurement of exchanges of nonmonetary assets and redefines the scope of transactions that should be measured based on the fair value of the assets exchanged. SFAS 153 is effective for nonmonetary asset exchanges occurring in quarters beginning after June 15, 2005. The Company does not anticipate adoption of this standard will have a material impact on its financial position, results of operations, or cash flows.

In May 2004, the FASB issued FASB Staff Position (FSP) 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP 106-2). FSP 106-2 provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Drug Act) for employers who sponsor postretirement health care plans that provide prescription drug benefits. FSP 106-2 also requires those employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Medicare Drug Act. The Medicare Drug Act generally permits plan sponsors that provide retiree prescription drug benefits that are "actuarially equivalent" to the benefits of Medicare Part D to be eligible for a non-taxable federal subsidy. FSP 106-2 is effective for the first interim or annual period beginning after June 15, 2004. FSP 106-2 provides that if the effect of the Medicare Drug Act is not considered a significant event, the measurement date for the adoption of FSP 106-2 is delayed until the next regular measurement date. Based on discussions with its Actuary, Management determined the effect of the Medicare Drug Act is not considered a significant event and thus the Company will account for the effects of FSP 106-2 at its next measurement date (January 1, 2005). The adoption of FSP 106-2 did not have a material effect on the Company's financial statements.

In March 2004, the Emerging Issues Task Force (EITF) reached consensus on EITF No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1). EITF 03-1 further defines the meaning of an "other-than-temporary impairment" and its application to debt and equity securities. Impairment occurs when the fair value of a security is less than its cost basis. When such a condition exists, the investor is required to evaluate whether the impairment is other-than-temporary as defined in EITF 03-1. When an impairment is other-than-temporary, the security must be written down to its fair value. EITF 03-1 also requires additional annual quantitative and qualitative disclosures for available for sale and held to maturity impaired investments that are not other-than temporarily impaired. On September 30, 2004, the FASB issued FSP EITF 03-1-1, "Effective date of Paragraph's 10-20 of EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (FSP EITF 03-1-1). FSP EITF 03-1-1 delayed the effective date for the measurement and recognition guidance contained in EITF 03-1 until further implementation guidance is issued. The Company does not expect any material effects from the adoption of EITF 03-1 on its financial statements.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47), to clarify the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations." Conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform

the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred, generally, upon acquisition, construction, development and/or through the normal operation of the asset. Uncertainty about the timing and/or method of settlement should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005 for calendar-year enterprises). The Company does not anticipate adoption of this standard will have a material impact on its financial position, results of operations, or cash flows.

Rate Matters - Middlesex filed for a 13.1% base rate increase with the New Jersey Board of Public Utilities (BPU) on May 16, 2005. The requested increase is intended to recover increased costs of operations, maintenance, and taxes, as well as capital investment of approximately \$19.2 million since January 2004. Included in the capital investment is \$8.7 million for a second raw water pipeline to ensure back-up water supply for our primary treatment plant. We cannot predict whether the BPU will ultimately approve, deny, or reduce the amount of our request. We expect a decision on this matter in the first quarter of 2006.

The Company anticipates its Pinelands subsidiaries will file for base rate increases with the BPU during August 2005. The request will be necessitated by increased costs of operations, maintenance, and capital investment. We cannot predict whether the BPU will ultimately approve, deny, or reduce the amount of our request.

As part of an approved settlement with the Delaware Public Service Commission (PSC) on October 19, 2004, Tidewater was eligible to apply for a second phase rate increase of \$0.5 million, provided it completed a number of capital projects within a specified time schedule. Tidewater filed an application for this increase on March 28, 2005. Upon verification of project completion, the new rates became effective on April 27, 2005. Tidewater also agreed to waive its right to file Distribution System Improvement Charges (DSIC) applications over the next three six-month cycles (January and July 2005, and January 2006) and to defer making an application for a general rate increase until after April 27, 2006. The DSIC allows a utility to promptly begin recovering depreciation expense and a return on the capital invested for eligible distribution system improvements recently placed into service.

In accordance with the tariff established for Southern Shores, an annual rate increase of 3% was implemented on January 1, 2005. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%.

#### Note 2 - Capitalization

Common Stock - On April 28, 2005, the Company filed with the Securities and Exchange Commission on Form S-3 to issue shares under its Dividend Reinvestment and Common Stock Purchase Plan at a 5% discount on optional cash payments and reinvested dividends for a six-month period commencing on June 1, 2005, and concluding on December 1, 2005. During the six months ended June 30, 2005, there

were 60,575 common shares (approximately \$1.2 million) issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan.

Long-term Debt - Tidewater has received approval from the PSC to finance up to \$16.0 million in the form of long-term debt securities. Of this amount, Tidewater received loan approval in April 2005 under the Delaware State Revolving Fund (SRF) program of \$2.0 million. Tidewater closed on this loan on July 25, 2005. The Delaware SRF program allows, but does not obligate, Tidewater to draw down against a General Obligation Note for two specific projects over a two-year period ending in April 2007. The interest rate on any draw down will be set at 3.49%. Tidewater has received a commitment letter from CoBank, a rural cooperative financial institution, approving the conversion of Tidewater's existing \$7.0 million short-term borrowings with CoBank and an additional \$7.0 million of funding for an aggregated \$14.0 million mortgage-type loan to be repaid over a term of 25 years. The terms of the CoBank loan allow but do not obligate, Tidewater to draw down against the additional \$7.0 million at any time after the loan closing through August 31, 2006. During that period, there is a commitment fee of 12.5 basis points, or 0.125%, on the unused balance. The interest rate for the CoBank loan will be a variable rate set weekly by CoBank, with Tidewater having an option to fix the interest rate at any time over the life of the loan at a margin over CoBank's cost of funds. The CoBank financing is expected to be completed during the third quarter of 2005.

Note 3 - Earnings Per Share

Basic earnings per share (EPS) are computed on the basis of the weighted average number of shares outstanding. Diluted EPS assumes the conversion of both the Convertible Preferred Stock \$7.00 Series and the Convertible Preferred Stock \$8.00 Series.

(In Thousands Except for per Share Amounts)

	Three Months Ended June 30,			
	2005	Weighted Average Shares	2004	Weighted Average Shares
	Income		Income	
-----				
Basic:				
Net Income	\$ 1,946	11,393	\$ 1,890	11,068
Preferred Dividend	(64)		(64)	
	-----	-----	-----	-----
Earnings Applicable to Common Stock	\$ 1,882	11,393	\$ 1,826	11,068
Basic EPS	\$ 0.17		\$ 0.17	
-----				
Diluted:				
Earnings Applicable to Common Stock	\$ 1,882	11,393	\$ 1,826	11,068
\$7.00 Series Preferred Dividend	26	179	26	179
\$8.00 Series Preferred Dividend	24	164	24	164
	-----	-----	-----	-----
Adjusted Earnings Applicable to Common Stock	\$ 1,932	11,736	\$ 1,876	11,411
Diluted EPS	\$ 0.16		\$ 0.16	

Six Months Ended  
June 30,

Basic:	2005 Income	Weighted Average Shares	2004 Income	Weighted Average Shares
Net Income	\$ 3,326	11,380	\$ 2,924	10,824
Preferred Dividend	(127)		(127)	
Earnings Applicable to Common Stock	\$ 3,199	11,380	\$ 2,797	10,824
Basic EPS	\$ 0.28		\$ 0.26	
-----				
Diluted:				
Earnings Applicable to Common Stock	\$ 3,199	11,380	\$ 2,797	10,824
\$7.00 Series Dividend	52	179	52	179
\$8.00 Series Dividend	48	164	48	164
Adjusted Earnings Applicable to Common Stock	\$ 3,299	11,723	\$ 2,897	11,167
Diluted EPS	\$ 0.28		\$ 0.26	

Note 4 - Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. This segment also includes the operations of a regulated wastewater systems in New Jersey and Delaware. The Company is subject to regulations as to its rates, services and other matters by the States of New Jersey and Delaware with respect to utility services within these States. The other segment primarily includes non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the Consolidated Notes to the Financial Statements in the Company's Annual Report for the period ended December 31, 2004 filed on Form 10-K. Inter-segment transactions relating to operational costs are treated as pass-through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender. These inter-segment transactions are eliminated in the Company's consolidated financial statements. Segment information is as follows:

	(Dollars in Thousands)			
	Three Months Ended June 30		Six Months Ended June 30,	
Operations by Segments:	2005	2004	2005	2004
<hr/>				
Revenues:				
Regulated	\$ 16,393	\$ 15,099	\$ 31,152	\$ 28,490
Non - Regulated	2,068	2,701	4,082	5,216
Inter-segment Elimination	(30)	(30)	(60)	(60)
Consolidated Revenues	<hr/> \$ 18,431	<hr/> \$ 17,770	<hr/> \$ 35,174	<hr/> \$ 33,646
<hr/>				
Operating Income:				
Regulated	\$ 3,262	\$ 3,040	\$ 5,636	\$ 5,113
Non - Regulated	102	70	232	217
Consolidated Operating Income	<hr/> \$ 3,364	<hr/> \$ 3,110	<hr/> \$ 5,868	<hr/> \$ 5,330
<hr/>				
Net Income:				
Regulated	\$ 1,867	\$ 1,856	\$ 3,140	\$ 2,781
Non - Regulated	79	34	186	143
Consolidated Net Income	<hr/> \$ 1,946	<hr/> \$ 1,890	<hr/> \$ 3,326	<hr/> \$ 2,924
<hr/>				
Capital Expenditures:				
Regulated	\$ 7,313	\$ 6,053	\$ 11,446	\$ 8,915
Non - Regulated	88	46	147	120
Total Capital Expenditures	<hr/> \$ 7,401	<hr/> \$ 6,099	<hr/> \$ 11,593	<hr/> \$ 9,035
<hr/>				
	As of June 30, 2005	As of December 31, 2004		
	----	----		
Assets:				
Regulated	\$ 301,183	\$ 296,260		
Non - Regulated	5,231	4,943		
Inter-segment Elimination	(2,209)	(2,074)		
Consolidated Assets	<hr/> \$ 304,205	<hr/> \$ 299,129		
	----	----		

#### Note 5 - Short-term Borrowings

The Company has established lines of credit aggregating \$40.0 million that have varying expiration dates through the remainder of 2005. At June 30, 2005, the outstanding borrowings under these credit lines were \$14.0 million at a weighted average interest rate of 4.14%. As of that date, the Company had borrowing capacity of \$26.0 million under its credit lines.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were \$12.0 million and \$8.2 million at 4.36% and 1.58% for the three months ended June 30, 2005 and 2004, respectively. The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were \$11.1 million and \$10.7 million at 4.11% and 1.57% for the six months ended June 30, 2005 and 2004, respectively.

#### Note 6 - Commitments and Contingent Liabilities

A lawsuit was filed in 1998 against the Company for damages involving the break of both a Company water line and an underground electric power cable containing both electric lines and petroleum based insulating fluid. The electric utility also asserted claims against the Company. The lawsuit was settled in 2003, and by agreement, the electric utility's counterclaim for approximately \$1.1 million in damages was submitted to binding arbitration, in which the agreed maximum exposure of the Company is \$0.3 million, for which the Company has accrued. While we are unable to predict the outcome of the arbitration, we believe that we have substantial defenses.

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

#### Note 7 - Employee Retirement Benefit Plans

**Pension** - The Company has a noncontributory defined benefit pension plan, which covers all employees with more than 1,000 hours of service. The Company expects to make cash contributions of \$0.6 million during the current year. These contributions are expected to be made during the third quarter of 2005. In addition, the Company maintains an unfunded supplemental pension plan for its executives.

**Post-retirement Benefits Other Than Pensions** - The Company has a post-retirement benefit plan other than pensions for substantially all of its retired employees. Coverage includes healthcare and life insurance. Retiree contributions are dependent on credited years of service. The Company expects to make total cash contributions of \$1.2 million during the current year. These contributions will be made each quarter during 2005. The Company has made contributions totaling \$0.6 million through June 30, 2005.

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

	(Dollars in Thousands)			
	Pension Benefits		Other Benefits	
	Three Months Ended June 30,			
	2005	2004	2005	2004
Service Cost	\$ 283	\$ 186	\$ 153	\$ 106
Interest Cost	381	346	193	145
Expected Return on Assets	(384)	(372)	(69)	(53)
Amortization of Unrecognized Losses	3	--	120	73
Amortization of Unrecognized Prior Service Cost	23	23	--	--
Amortization of Transition Obligation	--	--	34	34
Net Periodic Benefit Cost	\$ 306	\$ 183	\$ 431	\$ 305

	(Dollars in Thousands)			
	Pension Benefits		Other Benefits	
	Six Months Ended June 30,			
	2005	2004	2005	2004
Service Cost	\$ 565	\$ 373	\$ 306	\$ 213
Interest Cost	762	693	385	290
Expected Return on Assets	(768)	(746)	(137)	(107)
Amortization of Unrecognized Losses	7	--	240	146
Amortization of Unrecognized Prior Service Cost	46	46	--	--
Amortization of Transition Obligation	--	--	68	68
Net Periodic Benefit Cost	\$ 612	\$ 366	\$ 862	\$ 610

Note 8 - Other Comprehensive Income

Comprehensive income was as follows:

	(Dollars in Thousands)			
	Three Months Ended		Six Months	
	June 30,		June 30,	
	2005	2004	2005	2004
Net Income	\$ 1,946	\$ 1,890	\$ 3,326	\$ 2,924
Other Comprehensive Income:				
Change in Value of Equity Investments, Net of Income Tax	10	(3)	9	(3)
Other Comprehensive Income	10	(3)	9	(3)
Comprehensive Income	\$ 1,956	\$ 1,887	\$ 3,335	\$ 2,921

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

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of the Company included elsewhere herein and with the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

### Forward-Looking Statements

Certain statements contained in this quarterly report are "forward-looking statements" within the meaning of federal securities laws. The Company intends that these statements be covered by the safe harbors created under those laws. These statements include, but are not limited to:

- statements as to expected financial condition, performance, prospects and earnings of the Company;
- statements regarding strategic plans for growth;
- statements regarding the amount and timing of rate increases and other regulatory matters;
- statements regarding expectations and events concerning capital expenditures;
- statements as to the Company's expected liquidity needs during fiscal 2005 and beyond and statements as to the sources and availability of funds to meet its liquidity needs;
- statements as to expected rates, consumption volumes, service fees, revenues, margins, expenses and operating results;
- statements as to the Company's compliance with environmental laws and regulations and estimations of the materiality of any related costs;
- statements as to the safety and reliability of the Company's equipment, facilities and operations;
- statements as to financial projections;
- statements as to the ability of the Company to pay dividends;
- statements as to the Company's plans to renew municipal franchises and consents in the territories it serves;
- expectations as to the cost of cash contributions to fund the Company's pension plan, including statements as to anticipated discount rates and rates of return on plan assets;
- statements as to trends; and
- statements regarding the availability and quality of our water supply.

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

- the effects of general economic conditions;
- increases in competition in the markets served by the Company;
- the ability of the Company to control operating expenses and to achieve efficiencies in its operations;
- the availability of adequate supplies of water;
- actions taken by government regulators, including decisions on base rate increase requests;
- new or additional water quality standards;
- weather variations and other natural phenomena;
- acts of war or terrorism; and
- other factors discussed elsewhere in this quarterly report.

Many of these factors are beyond the Company's ability to control or predict. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements, which only speak to the



Company's understanding as of the date of this quarterly report. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this quarterly report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

For an additional discussion of factors that may affect the Company's business and results of operations, see Risk Factors in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

#### Overview

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

Our New Jersey water utility system (the Middlesex System) provides water services to approximately 58,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey with a total population of approximately 267,000. Through our subsidiary, USA-PA, we operate the water supply system and wastewater system for the City of Perth Amboy, New Jersey. Our other New Jersey subsidiaries, Pinelands Water and Pinelands Wastewater, provide water and wastewater services to residents in Southampton Township, New Jersey.

Our Delaware subsidiaries, Tidewater and Southern Shores, provide water services to approximately 27,000 retail customers in New Castle, Kent, and Sussex Counties, Delaware. Our TESI subsidiary commenced operations during 2005 as a regulated wastewater utility in Delaware. Although TESI has responded to numerous requests for proposal, the Company does not have any customers or revenues as of June 30, 2005. Our other Delaware subsidiary, White Marsh, serves 1,900 customers in Kent and Sussex Counties under operating contracts.

Our USA subsidiary provides customers within the Middlesex System a service line maintenance program called LineCareSM.

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

Our ability to increase operating income and net income is based significantly on four factors: weather, adequate and timely rate relief, effective cost management, and customer growth.

## Recent Developments

### Rate Increases

Middlesex filed for a 13.1% base rate increase with the BPU on May 16, 2005. Reasons for the requested increase are higher costs of operations, maintenance, and taxes, as well as capital investment of approximately \$19.2 million since January 2004. Included in the capital investment is \$8.7 million for a second raw water pipeline to ensure back-up water supply for our primary treatment plant. We cannot predict whether the BPU will approve, deny, or reduce the amount of our request. We believe a decision on this matter will be received in the first quarter of 2006.

The Company anticipates its Pinelands subsidiaries will file for base rate increases with the BPU during August 2005. The request will be necessitated by increased costs of operations, maintenance, and capital investment. We cannot predict whether the BPU will ultimately approve, deny, or reduce the amount of our request.

As part of an approved settlement with the PSC on October 19, 2004, Tidewater was eligible to apply for a second phase rate increase of \$0.5 million, provided it completed a number of capital projects within a specified time schedule. Tidewater filed an application for this increase on March 28, 2005. Upon verification of project completion, the new rates became effective on April 27, 2005. Tidewater also agreed to waive its right to file DSIC applications over the next three six-month cycles (January and July 2005, and January 2006) and to defer making an application for a general rate increase until after April 27, 2006.

In accordance with the tariff established for Southern Shores, an annual rate increase of 3% was implemented on January 1, 2005. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%.

### Results of Operations - Three Months Ended June 30, 2005

Operating revenues for the three months ended June 30, 2005 increased \$0.7 million or 3.7% from the same period in 2004. Water sales improved by \$0.9 million in our New Jersey systems, which was primarily a result of a base rate increase that was granted to Middlesex on May 27, 2004. Revenues rose in our Delaware service territories by \$0.4 million. Base rate increases and customer growth in Delaware provided additional water consumption sales and facility charges totaling \$0.5 million. Unfavorable weather in the Spring of 2005 delayed the completion of homes by developers in several residential subdivisions resulting in lower than expected customer growth in Delaware. Revenues from connection fees, which are one-time charges as homes are initially connected to the water system, were delayed in the second quarter due to the construction delays. This resulted in a reduction in connection fee revenues by \$0.1 million as compared to the same period in the prior year.

USA had reduced revenues of \$0.7 million as compared to the same period in 2004. This reduction was due to our meter services venture completing its original contracts during December 2004. USA has not bid on, and consequently has not obtained any additional meter services contracts for 2005. Furthermore, no additional meter services contracts are expected for the remainder of 2005. All other operations accounted for \$0.1 million of higher revenues.

While we anticipate continued customer and consumption growth among our Delaware systems, such growth and increased consumption cannot be guaranteed. During the first six months of 2005, approximately 1,000 new customers were added to the Delaware System, as compared to approximately 1,200 during the prior year.

period. This has resulted in reduced connection fee revenues through June 30, 2005 and lower water consumption revenues than anticipated due to the lag in new customer connections that resulted from the developer construction delays. While overall water sales for the Middlesex System are higher in 2005 than the prior year period, there has been decreased consumption of 4.9% by several large industrial customers. With regard to Middlesex's industrial customer class, we expect this trend to continue throughout the remainder of 2005. Weather conditions may adversely impact future water consumption in spite of anticipated customer growth in Delaware. Our water systems are also highly dependent on the effects of weather. As a result of anticipated regulation of wastewater services in Delaware, we have established a new regulated wastewater operation (TESI) that commenced operations during fiscal 2005. Due to the start-up nature of this operation, we expect our expenses with respect to this subsidiary to marginally exceed its revenues in the near term.

Operating expenses increased \$0.4 million or 2.8%. Operation and maintenance expenses increased \$0.2 million or 2.2%. In New Jersey, Payroll and benefits costs, insurance and corporate governance related fees increased \$0.7 million. The continued growth of our Delaware systems resulted in increases in the cost of water treatment, insurance and additional employees and related benefit costs of \$0.2 million. Costs related to our meter services venture decreased \$0.7 million due to the completion of the original projects during December 2004. Water treatment costs related to our City of Perth Amboy contract decreased by \$0.1 million. All other operating expenses increased \$0.1 million.

Depreciation expense increased \$0.2 million or 11.8%, primarily as a result of a higher level of utility plant in service. Since June 30, 2004, our net investment in utility plant has increased by \$34.0 million.

Other taxes increased by \$0.1 million, reflecting taxes on increased taxable gross revenues. Income taxes decreased by \$0.1 million as a result of an increased tax benefits from a higher level of Allowance for Funds Used During Construction (AFUDC) as compared to the prior year period, due to the increase in capital projects in New Jersey and Delaware.

Net income increased by 3.0% to \$1.9 million. Basic earnings per share, however remained at \$0.17 due to the increase in shares outstanding during the current year, primarily due to the sale of 700,000 shares of common stock on May 12, 2004 and shares issued under the Company's Dividend Reinvestment plan during the second quarter of 2005. Diluted earnings per share remained at \$0.16.

#### Results of Operations - Six Months Ended June 30, 2005

Operating revenues for the six months ended June 30, 2005 increased \$1.5 million or 4.5% from the same period in 2004. Water sales improved by \$1.8 million in our New Jersey systems, as a result of the base rate increases that were granted to Middlesex on May 27, 2004. Customer growth of 9.1% in Delaware provided additional consumption sales, facility charges and connection fees of \$0.7 million. Base rate increases accounted for \$0.1 million of the increase.

USA had reduced revenues of \$1.2 million as compared to the same period in 2004, due to our meter services venture completing its original contracts during December 2004. All other operations accounted for \$0.1 million of additional revenues.

Operating expenses increased \$1.0 million or 3.5%. Operation and maintenance expenses increased \$0.4 million or 2.0%. In New Jersey, Payroll and benefits costs (primarily pension and post-retirement expenses) and corporate governance related fees increased \$1.0 million. As previously discussed, the continuing growth of our Delaware systems resulted in higher costs of water treatment, additional employees and related benefit expenses, and corporate governance related fees of \$0.5 million.

The costs of our meter services decreased \$1.1 million due to the completion of the original projects during December 2004. Costs relating to our City of Perth Amboy contract decreased by \$0.1 million. All other costs of operations increased by \$0.1 million.

Our pension and post-retirement costs have increased by approximately \$0.3 million for the six months ended June 30, 2005 as compared to the prior year period (see Note 7 of the Notes to the Condensed Consolidated Financial Statements). Our pension and post-retirement expenses are anticipated to increase by a similar amount for the remainder of fiscal 2005. Payroll and benefits costs (excluding pension and post-retirement expenses previously discussed) are also expected to be higher during the remainder of 2005 than the same period in 2004.

Depreciation expense increased \$0.3 million or 9.8%, due to the higher level of utility plant in service, as discussed for the three-month results.

Other taxes increased by \$0.3 million, reflecting taxes on higher taxable gross revenues.

Income taxes were comparable to the prior year period as a result of an increased tax benefits from a higher level of AFUDC.

Other income increased \$0.2 million, primarily due to higher AFUDC as a result of increases in capital projects in New Jersey and Delaware.

Net income increased by \$0.4 million, or 13.7%, and basic and diluted earnings per share increased from \$0.26 to \$0.28 per share. The earnings per share increase was due to the higher net income, but was partially offset by the increase in average shares outstanding as compared to the prior year period.

#### Liquidity and Capital Resources

Cash flows from operations are largely based on four factors: weather, adequate and timely rate relief, effective cost management, and customer growth. The effect of these factors on net income is discussed in results of operations. For the six months ended June 30, 2005, cash flows from operating activities decreased \$0.2 million to \$4.6 million, as compared to the prior year. This decrease was primarily attributable to the timing of payments to vendors, which was partially offset by the timing of retirement plan contributions, and interest payments. The \$4.6 million of net cash flow from operations allowed us to internally fund approximately 40% of our utility plant expenditures for the period, with the remainder funded with restricted cash from the proceeds of previously issued long-term borrowings. Due to the seasonality of our primary business of providing regulated water service, cash flow from operations in the first and second quarters of any fiscal year is not necessarily an indication of our ability to generate cash to fund our capital program or pay dividends to our shareholders over the course of an entire calendar year.

The Company's capital program for 2005 is estimated to be \$23.2 million and includes \$11.2 million for water system additions and improvements for our Delaware systems, \$3.4 million to complete the new raw water line to the Middlesex primary water treatment plant that began in 2004, and \$3.3 million for the RENEW Program, which is our program to clean and cement line approximately nine miles of unlined mains in the Middlesex System. There remains a total of approximately 129 miles of unlined mains in the 730-mile Middlesex System. The capital program also includes \$5.3 million for other scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$1.1 million for improvements to existing plant, \$1.2 million for

mains, \$0.8 million for service lines, \$0.3 million for meters, \$0.3 million for hydrants, and \$1.6 million for computer systems and various other items.

To pay for our capital program in 2005, we will utilize internally generated funds and funds available under existing New Jersey Environmental Infrastructure Trust loans (currently, \$3.8 million) and Delaware State Revolving Fund (SRF) loans (currently, \$1.3 million), which provide low cost financing for projects that meet certain water quality and system improvement benchmarks. If necessary, we will also utilize short-term borrowings through \$40.0 million of available lines of credit with three commercial banks. As of June 30, 2005, there was \$14.0 million outstanding against the lines of credit.

Tidewater received approval from the PSC to finance up to \$16.0 million in the form of long-term debt securities. Of this amount, Tidewater received loan approval in April 2005 under the Delaware SRF program of \$2.0 million. Tidewater closed on the \$2.0 loan on July 25, 2005. The Delaware SRF program allows, but does not obligate, Tidewater to draw down against a General Obligation Note for two specific projects over a two-year period ending in April 2007. The interest rate on any draw down will be set at 3.49%. Tidewater has received a commitment letter from CoBank, a rural cooperative financial institution, approving the conversion of Tidewater's existing \$7.0 million short-term borrowings with CoBank and an additional \$7.0 million of funding for an aggregated \$14.0 million mortgage type loan to be repaid over a term of 25 years. The terms of the CoBank loan allow, but do not obligate, Tidewater to draw down against the additional \$7.0 million at any time after the loan closing through August 31, 2006. During that period, there is a commitment fee of 12.5 basis points, or 0.125%, on the unused balance. The interest rate for the CoBank loan will be a variable rate set weekly by CoBank, with Tidewater having an option to fix the interest rate at any time over the life of the loan at a margin over CoBank's cost of funds. The CoBank financing is expected to be completed during the third quarter of 2005.

The Company periodically issues shares of common stock in connection with its dividend reinvestment and stock purchase plan. On April 27, 2005, the Company filed with the Securities and Exchange Commission on Form S-3 to issue shares under its Dividend Reinvestment and Common Stock Purchase Plan at a 5% discount on optional cash payments and reinvested dividends for a six-month period commencing on June 1, 2005, and concluding on December 1, 2005. During the six months ended June 30, 2005, the company raised approximately \$1.2 million through the issuance of 60,575 common shares under the Company's Dividend Reinvestment and Common Stock Purchase Plan. From time to time, the Company may issue additional equity to reduce short-term indebtedness and for other general corporate purposes.

Going forward into 2006 through 2007, we project that we will expend approximately \$45.9 million for capital projects. To the extent possible, and because of the favorable interest rates available to regulated water utilities, we will finance our capital expenditures under SRF loan programs. We also expect to use internally generated funds and proceeds from the sale of common stock and through the Dividend Reinvestment and Common Stock Purchase Plan.

In addition to the effect of weather conditions on revenues, increases in certain operating costs will impact our liquidity and capital resources. We have received rate relief for Tidewater in the last twelve months, and Middlesex and the Pinelands Companies have recently filed for base rate increases. Changes in operating costs and timing of capital projects will have an impact on revenues, earnings, and cash flows and will also impact the timing of filings for future rate increases.

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

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

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate, long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our Amortizing Secured Notes and First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$1.2 million of the current portion of eleven existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings would not have a material effect on earnings.

### Item 4. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted by the Company's Chief Executive Officer along with the Company's Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this Report. There have been no significant changes in the Company's internal controls or in other factors, which could significantly affect internal controls during the quarter ended June 30, 2005.

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

Reference is made to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and Quarterly Report on Form 10-Q filed for the period ended March 31, 2005.

### Item 2. Changes in Securities

None.

### Item 3. Defaults upon Senior Securities

None.

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

The following matter was submitted to a vote of the security holders during the Company's Annual Meeting of Shareholders held on May 25, 2005:

Election of Directors. Nominees for Class III, term expiring 2008:

	FOR	WITHHELD
	---	-----
John R. Middleton, M.D.	9,627,320	135,425
Jeffries Shein	9,630,158	132,587
J. Richard Tompkins	9,625,118	137,627

Item 5. Other Information

None.

Item 6. Exhibits

- 31 Section 302 Certification by Dennis G. Sullivan pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- 31.1 Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- 32 Section 906 Certification by Dennis G. Sullivan pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Section 906 Certification by A. Bruce O'Connor pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

MIDDLESEX WATER COMPANY

By: /s/ A. Bruce O'Connor

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A. Bruce O'Connor  
Vice President and  
Chief Financial Officer

Date: August 9, 2005



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

I, Dennis G. Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Middlesex Water Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dennis G. Sullivan

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Dennis G. Sullivan  
Chief Executive Officer

Date: August 9, 2005

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

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

1. I have reviewed this quarterly report on Form 10-Q of Middlesex Water Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ A. Bruce O'Connor

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A. Bruce O'Connor  
Chief Financial Officer

Date: August 9, 2005

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

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

/s/ Dennis G. Sullivan  
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Dennis G. Sullivan  
Chief Executive Officer

Date: August 9, 2005

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

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

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

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

Date: August 9, 2005

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