

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: June 30, 2001

Commission File
No. 0-422

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

INCORPORATED IN NEW JERSEY

22-1114430

(State or other jurisdiction of
incorporation or organization)

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

1500 RONSON ROAD, ISELIN, NJ

08830

(Address of principal executive offices)

(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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that this registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 30 days.

YES NO

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Class -----	Outstanding at June 30, 2001 -----
Common Stock, No Par Value	5,066,207

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MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2001	2000	2001	2000	2001	2000
Operating Revenues	\$14,753,732	\$14,057,242	\$27,897,630	\$27,038,331	\$55,335,842	\$55,042,803
Operating Expenses:						
Operations	7,156,442	7,189,473	14,178,673	14,111,742	27,780,155	27,654,254
Maintenance	657,901	637,689	1,280,270	1,316,354	2,519,153	2,688,573
Depreciation	1,259,107	1,160,508	2,508,952	2,306,641	4,903,245	4,452,367
Other Taxes	1,883,940	1,764,805	3,586,937	3,433,195	7,085,703	7,011,978
Federal Income Taxes	988,394	776,656	1,463,330	1,291,025	2,809,363	2,917,638
Total Operating Expenses	11,945,784	11,529,131	23,018,162	22,458,957	45,097,619	44,724,810
Operating Income	2,807,948	2,528,111	4,879,468	4,579,374	10,238,223	10,317,993
Other Income:						
Allowance for Funds Used During Construction	22,353	27,588	38,258	44,764	128,655	317,944
Other - Net	345,010	37,910	416,169	75,265	569,696	253,252
Total Other Income	367,363	65,498	454,427	120,029	698,351	571,196
Income Before Interest Charges	3,175,311	2,593,609	5,333,895	4,699,403	10,936,574	10,889,189
Interest Charges	1,257,232	1,225,128	2,532,166	2,424,806	5,104,382	4,798,781
Net Income	1,918,079	1,368,481	2,801,729	2,274,597	5,832,192	6,090,408
Preferred Stock Dividend Requirements	63,696	63,696	127,393	127,393	254,786	268,786
Earnings Applicable to Common Stock	<u>\$1,854,383</u>	<u>\$1,304,785</u>	<u>\$2,674,336</u>	<u>\$2,147,204</u>	<u>\$5,577,406</u>	<u>\$5,821,622</u>
Earnings per share of Common Stock:						
Basic	\$ 0.37	\$ 0.26	\$ 0.53	\$ 0.43	\$ 1.11	\$ 1.17
Diluted	\$ 0.36	\$ 0.26	\$ 0.53	\$ 0.43	\$ 1.11	\$ 1.17
Average Number of Common Shares Outstanding :						
Basic	5,062,171	5,014,922	5,057,411	5,010,138	5,045,623	4,977,788
Diluted	5,233,741	5,186,492	5,228,981	5,181,708	5,217,193	5,171,784
Cash Dividends Paid per Common Share	\$0.31	\$0.30 1/2	\$0.62	\$0.61	\$1.23 1/2	\$1.21

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
UTILITY PLANT:		
Water Production	\$ 69,812,258	\$ 69,363,626
Transmission and Distribution	138,071,845	136,545,596
General	20,457,631	20,189,182
Construction Work in Progress	2,157,505	1,036,498
	-----	-----
TOTAL	230,499,239	227,134,902
Less Accumulated Depreciation	41,005,600	38,856,591
	-----	-----
UTILITY PLANT-NET	189,493,639	188,278,311
	-----	-----
NONUTILITY ASSETS-NET	3,180,387	2,918,133
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	2,959,558	2,497,154
Temporary Cash Investments-Restricted	2,820,219	2,819,661
Accounts Receivable (net of allowance for doubtful accounts)	6,241,446	5,282,796
Unbilled Revenues	3,474,501	2,969,043
Materials and Supplies (at average cost)	1,071,020	1,009,956
Prepayments and Other Current Assets	937,212	694,111
	-----	-----
TOTAL CURRENT ASSETS	17,503,956	15,272,721
	-----	-----
DEFERRED CHARGES:		
Unamortized Debt Expense	2,881,430	2,950,276
Preliminary Survey and Investigation Charges	1,033,848	573,128
Regulatory Assets		
Income Taxes	6,012,748	6,012,748
Post Retirement Costs	998,572	1,041,676
Other	2,373,835	2,352,966
	-----	-----
TOTAL DEFERRED CHARGES	13,300,433	12,930,794
	-----	-----
TOTAL	\$223,478,415 =====	\$219,399,959 =====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
CAPITALIZATION (see accompanying statements)	\$156,918,263	\$156,807,552
	-----	-----
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	217,915	215,859
Notes Payable	9,100,000	6,050,000
Accounts Payable	2,206,181	2,438,664
Taxes Accrued	6,791,538	6,050,322
Interest Accrued	1,785,216	1,797,520
Other	1,272,349	1,454,276
	-----	-----
TOTAL CURRENT LIABILITIES	21,373,199	18,006,641
	-----	-----
DEFERRED CREDITS:		
Customer Advances for Construction	10,821,224	11,364,818
Accumulated Deferred Investment Tax Credits	1,971,724	2,011,033
Accumulated Deferred Federal Income Taxes	12,470,603	12,371,473
Employee Benefit Plans	5,029,806	4,658,364
Other	1,036,809	1,203,051
	-----	-----
TOTAL DEFERRED CREDITS	31,330,166	31,608,739
	-----	-----
CONTRIBUTIONS IN AID OF CONSTRUCTION	13,856,787	12,977,027
	-----	-----
TOTAL	\$223,478,415	\$219,399,959
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
CAPITALIZATION:		
Common Stock, No Par Value		
Shares Authorized, 10,000,000		
Shares Outstanding - 2001 - 5,066,207; 2000 - 5,048,534	\$ 49,486,750	\$ 48,838,486
Retained Earnings	21,336,565	21,796,707
	-----	-----
TOTAL COMMON EQUITY	70,823,315	70,635,193
	-----	-----
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
	-----	-----
TOTAL CUMULATIVE PREFERRED STOCK	4,063,062	4,063,062
	-----	-----
Long-term Debt:		
8.05% Amortizing Secured Note, due December 20, 2021	3,293,110	3,320,428
First Mortgage Bonds:		
7.25%, Series R, due July 1, 2021	6,000,000	6,000,000
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 August 1, 2018	955,963	970,667
4.53%, Series Y, due August 1, 2018	1,095,000	1,095,000
0.00%, Series Z, due September 1, 2019	2,055,728	2,089,061
5.25%, Series AA, due September 1, 2019	2,350,000	2,350,000
	-----	-----
SUBTOTAL LONG-TERM DEBT	82,249,801	82,325,156
	-----	-----
Less: Current Portion of Long-term Debt	(217,915)	(215,859)
	-----	-----
TOTAL LONG-TERM DEBT	82,031,886	82,109,297
	-----	-----
TOTAL CAPITALIZATION	\$ 156,918,263	\$ 156,807,552
	=====	=====

	Six Months Ended June 30, 2001	Year Ended December 31, 2000
	-----	-----
	(Unaudited)	
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$ 21,796,707	\$ 22,895,844
Net Income	2,801,729	5,305,060
	-----	-----
TOTAL	24,598,436	28,200,904
	-----	-----
Cash Dividends:		
Cumulative Preferred Stock	127,393	254,786
Common Stock	3,134,478	6,149,411
TOTAL DEDUCTIONS	3,261,871	6,404,197
	-----	-----
BALANCE AT END OF PERIOD	\$ 21,336,565	\$ 21,796,707
	=====	=====

See Notes to Consolidated Financial Statements

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MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended 2001	June 30, 2000	Twelve Months Ended 2001	June 30, 2000
	----	----	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	\$ 2,801,729	\$ 2,274,597	\$ 5,832,192	\$ 6,090,408
Adjustments to Reconcile Net Income to				

Net Cash Provided by Operating Activities:				
Depreciation and Amortization	2,693,378	2,415,146	5,222,933	4,795,652
Provision for Deferred Income Taxes	99,130	88,574	211,875	205,616
Allowance for Funds Used During Construction	(38,258)	(44,764)	(128,655)	(317,944)
Changes in Current Assets and Liabilities:				
Accounts Receivable	(958,650)	(99,172)	(172,729)	111,100
Accounts Payable	(232,483)	(477,847)	(708,406)	661,129
Accrued Taxes	741,216	743,476	689,324	88,110
Accrued Interest	(12,304)	47,860	(23,114)	69,145
Unbilled Revenues	(505,458)	(548,699)	(297,939)	(58,912)
Employee Benefit Plans	371,442	557,229	(183,999)	953,666
Other-Net	(525,954)	(142,399)	(826,132)	(142,429)
	-----	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,433,788	4,814,001	9,615,350	12,455,541
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Utility Plant Expenditures*	(3,730,912)	(5,887,054)	(11,483,149)	(18,788,413)
Note Receivable	97,500	(13,500)	70,500	2,759,130
Preliminary Survey and Investigation Charges	(460,720)	(222,576)	(338,985)	(349,880)
Other-Net	(572,013)	(82,740)	(1,343,964)	(236,374)
	-----	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(4,666,145)	(6,205,870)	(13,095,598)	(16,615,537)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Redemption of Long-term Debt	(75,355)	(40,188)	(241,524)	(89,084)
Proceeds from Issuance of Long-term Debt	--	--	--	4,500,000
Short-term Bank Borrowings	3,050,000	1,000,000	6,100,000	--
Deferred Debt Issuance Expenses	(1,885)	--	(43,502)	(20,404)
Temporary Cash Investments-Restricted	(558)	(121,327)	3,032,935	(3,036,297)
Proceeds from Issuance of Common Stock-Net	648,264	618,471	1,274,765	1,210,689
Payment of Common Dividends	(3,134,478)	(3,054,712)	(6,229,177)	(6,018,228)
Payment of Preferred Dividends	(127,393)	(127,393)	(254,786)	(268,786)
Construction Advances and Contributions-Net	336,166	63,669	684,672	1,344,923
	-----	-----	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	694,761	(1,661,480)	4,323,383	(2,377,187)
	-----	-----	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	462,404	(3,053,349)	843,135	(6,537,183)
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,497,154	5,169,772	3,797,660	8,653,606
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,959,558	\$ 2,116,423	\$ 4,640,795	\$ 2,116,423
	=====	=====	=====	=====

* Excludes Allowance for Funds Used During Construction

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash Paid During the Period for:

Interest (net of amounts capitalized)	\$ 2,450,576	\$ 2,236,251	\$ 4,857,460	\$ 4,249,599
Income Taxes	\$ 1,157,792	\$ 988,450	\$ 2,150,792	\$ 3,202,750

See Notes to Consolidated Financial Statements.

NOTES TO 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), Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy) Inc. (USA-PA) and Bayview Water Company (See Note 2). White Marsh Environmental Systems, Inc. is a wholly-owned subsidiary of Tidewater. The financial statements for Middlesex and its wholly owned subsidiaries (the Company) are reported on a consolidated basis. All intercompany accounts and transactions have been eliminated.

The consolidated notes accompanying the 2000 Form 10-K are applicable to this report and, in the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2001 and the results of operations and its cash flows for the periods ended June 30, 2001 and 2000. Information included in the Balance Sheet as of December 31, 2000, has been derived from the Company's audited financial statements included in its annual report on Form 10-K for the year ended December 31, 2000.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts. The adoption of this statement on January 1, 2001, had no impact on the financial statements.

Note 2 - Regulatory Matters

Base Rate Cases - On June 6, 2001, Middlesex received a signed order from the New Jersey Board of Public Utilities (BPU) approving an 8.1% rate increase or approximately \$3.3 million. The decision was based upon a rate base of \$133.0 million and a Return on Equity of 10.5%. These components are expected to allow the Company the opportunity to earn a 7.95% rate of return on the allowed rate base.

The BPU approved an increase in base rates for the two Pinelands companies.

	Pinelands Water	Pinelands Wastewater
Effective Date	----- August 1, 2001	----- August 1, 2001
Percentage Increase	26.92%	11.81%
Revenue Increase	\$ 86,000	\$ 104,000
Rate Base	\$956,000	\$1,471,000
Return on Equity	10.5%	10.5%
Rate of Return	9.1%	9.2%

Note 3 - Capitalization

Common Stock - During the three months ended June 30, 2001, 8,848 common shares (\$0.3 million) were issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan.

Note 4 - 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,		2000		Six Months Ended June 30,		2000		Twelve Months Ended June 30,		2000	
	2001 Income	Shares	Income	Shares	2001 Income	Shares	Income	Shares	2001 Income	Shares	Income	Shares

Basic:												
Net Income	\$1,918	5,062	\$1,368	5,015	\$2,801	5,058	\$2,275	5,010	\$5,832	5,046	\$6,090	4,978
Preferred Dividend	(64)		(64)		(127)		(127)		(255)		(269)	
Earnings Applicable to Common Stock	\$1,854	5,062	\$1,304	5,015	\$2,674	5,058	\$2,148	5,010	\$5,577	5,046	\$5,821	4,978
Basic EPS	\$ 0.37		\$ 0.26		\$ 0.53		\$ 0.43		\$ 1.11		\$ 1.17	

Diluted:												
Earnings Applicable to Common Stock	\$1,854	5,062	\$1,304	5,015	\$2,674	5,058	\$2,148	5,010	\$5,577	5,046	\$5,821	4,978
\$7.00 Series Dividend	26	89	26	89	52	89	52	89	104	89	104	89
\$8.00 Series Dividend	24	82	24	82	48	82	48	82	96	82	110	105
Adjusted Earnings Applicable to Common Stock	\$1,904	5,233	\$1,354	5,186	\$2,774	5,229	\$2,248	5,181	\$5,777	5,217	\$6,035	5,172
Diluted EPS	\$ 0.36		\$ 0.26		\$ 0.53		\$ 0.43		\$ 1.11		\$ 1.17	

Note 5 - Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. It also operates a regulated wastewater system in New Jersey. 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 service within these States. The other segment is the non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware. On January 1, 1999 the Company began operating the water and wastewater systems of the City of Perth Amboy, New Jersey under a service contract. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements. Inter-segment transactions relating to operational costs are treated as pass through expenses.

Operations by Segments:	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
Revenues:						
Regulated	\$ 13,059	\$ 12,287	\$ 24,469	\$ 23,578	\$ 48,524	\$ 47,731
Non - Regulated	1,704	1,779	3,447	3,478	6,848	7,348
Inter-segment Elimination	(9)	(9)	(18)	(18)	(36)	(36)
Consolidated Revenues	\$ 14,754	\$ 14,057	\$ 27,898	\$ 27,038	\$ 55,336	\$ 55,043
Operating Income:						
Regulated	\$ 2,702	\$ 2,385	\$ 4,722	\$ 4,354	\$ 9,893	\$ 9,506
Non - Regulated	106	143	157	225	345	812
Inter-segment Elimination	--	--	--	--	--	--
Consol. Operating Income	\$ 2,808	\$ 2,528	\$ 4,879	\$ 4,579	\$ 10,238	\$ 10,318
Depreciation/Amortization:						
Regulated	\$ 1,245	\$ 1,147	\$ 2,481	\$ 2,281	\$ 4,846	\$ 4,413
Non - Regulated	14	14	28	26	57	39
Inter-segment Elimination	--	--	--	--	--	--
Consolidated	\$ 1,259	\$ 1,161	\$ 2,509	\$ 2,307	\$ 4,903	\$ 4,452
Other Income:						
Regulated	\$ 617	\$ 395	\$ 853	\$ 604	\$ 1,534	\$ 1,980
Non - Regulated	5	--	55	(3)	62	(3)
Inter-segment Elimination	(255)	(330)	(454)	(481)	(898)	(1,406)
Consolidated Other Income	\$ 367	\$ 65	\$ 454	\$ 120	\$ 698	\$ 571
Interest Expense:						
Regulated	\$ 1,476	\$ 1,370	\$ 2,958	\$ 2,707	\$ 5,897	\$ 5,321
Non - Regulated	14	23	28	45	39	145
Inter-segment Elimination	(233)	(168)	(454)	(327)	(832)	(667)
Consol. Interest Expense	\$ 1,257	\$ 1,225	\$ 2,532	\$ 2,425	\$ 5,104	\$ 4,799
Net Income:						
Regulated	\$ 1,843	\$ 1,410	\$ 2,617	\$ 2,250	\$ 5,529	\$ 6,164
Non - Regulated	97	120	184	179	368	664
Inter-segment Elimination	(22)	(162)	--	(154)	(65)	(738)
Consolidated Net Income	\$ 1,918	\$ 1,368	\$ 2,801	\$ 2,275	\$ 5,832	\$ 6,090
Capital Expenditures:						
Regulated	\$ 2,419	\$ 3,178	\$ 3,667	\$ 5,367	\$ 11,365	\$ 18,257
Non - Regulated	29	49	64	520	118	531
Inter-segment Elimination	--	--	--	--	--	--
Total Capital Expenditures	\$ 2,448	\$ 3,227	\$ 3,731	\$ 5,887	\$ 11,483	\$ 18,788

	As of June 30, 2001	As of December 31, 2000
Assets:		
Regulated	\$ 244,107	\$ 236,923
Non - Regulated	3,169	3,034
Inter-segment Elimination	(23,798)	(20,557)
Consolidated Assets	\$ 223,478	\$ 219,400

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations - Three Months Ended June 30, 2001

Operating revenues for the three months ended June 30, 2001 were up \$0.7 million or 5.0% from the same period in 2000. Higher base rates in our Middlesex service territory provided \$0.2 million of the increase. Increased consumption in all service areas generated the balance of the revenue increase.

Operating expenses increased \$0.4 million or 3.6%. Operations and maintenance expenses declined slightly over the prior period. Depreciation expense increased 8.5% over the same period from last year. Plant improvements of \$11.0 million over the last twelve months plus an increase in the composite depreciation rate for our Delaware utility plant were the primary reasons for the increase of this expense.

Other taxes rose \$0.1 million due to higher revenue related taxes. Federal income taxes rose 27.3%, reflecting a higher amount of current taxable income.

Other income rose \$0.3 million due to a one-time gain on the sale of excess land by a small investor owned utility in Southern Delaware. Middlesex is a 23% equity owner of that utility.

Net income rebounded in the second quarter and increased by 40.1% to \$1.9 million.

Results of Operations -Six Months Ended June 30, 2001

Operating revenues for the six months ended June 30, 2001 were up \$0.9 million or 3.2% from the same period in 2000. Higher base rates in our Middlesex service territory provided \$0.2 million of the increase. Increased consumption in all service areas generated the balance of the revenue increase.

Operating expenses increased \$0.6 million or 2.5% over the same period last year. Operations and maintenance expenses increased slightly over the prior period. Depreciation expense increased 8.8% over the same period from last year. Plant improvements of \$11.0 million over the last twelve months plus an increase in the composite depreciation rate for our Delaware utility plant were the primary reasons for the increase of this expense.

Federal income taxes rose 13.4%, reflecting a higher amount of current taxable income.

Other income rose \$0.3 million due to a one-time gain on the sale of excess land by a small investor owned utility in Southern Delaware. Middlesex is a 23% equity owner of that utility.

Net income increased in the second quarter by 23.1% to \$2.8 million.

Results of Operations - Twelve Months Ended June 30, 2001

Operating revenues for the twelve months ended June 30, 2001 were up \$0.3 million to \$55.3 million. Higher consumption in all our service territories provided \$0.5 million of additional revenue. Rate increases accounted for \$0.3 million. Service fees from our operations and maintenance contracts fell \$0.5 million. \$0.3 million of that decline was due to lower variable fees earned under the City of Perth Amboy contract. These variable fees are based upon consumption revenue growth, which failed to materialize due to unfavorable weather during the comparative period. The balance of the decline is the result of the 1999 acquisition by Middlesex of the franchised customers previously served under the City of South Amboy contract.

Operating expenses increased \$0.4 million or less than one percent. Maintenance costs decreased by \$0.2 million due to a lower number of cold weather related main breaks and a decreased number of emergency repairs at the Delaware mobile home parks systems acquired in January 2000. Depreciation expense increased \$0.5 million or 10.1% as a result of the CJO Plant completion in July 1999, with a cost of approximately \$35.0 million and other utility plant improvements of \$28.2 million since June 30, 1999.

Federal income taxes declined \$0.1 million or 3.7% as a result of the lower amount of taxable income.

Other income rose \$0.1 million as earnings from our investment in Sussex Shores contributed \$0.3 million due to a one-time gain on the sale of excess land by a small investor owned utility in Southern Delaware. Middlesex is a 23% equity owner of that utility. AFUDC declined due to reduced capital expenditures on projects that would be subject to AFUDC.

The 5.2% decrease in preferred stock dividend requirements reflects the partial exercise of the conversion feature of the \$8.00 Series of Preferred Stock in late 1999. Basic and diluted earnings per share decreased almost 5.1% to \$1.11.

Capital Resources

The Company's capital program for 2001 is estimated to be \$17.3 million and includes \$8.6 million for water system additions and improvements for our Delaware systems and \$1.8 million for final expenditures on the upgrade to the CJO Plant. The capital program also includes \$6.9 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$0.8 million for mains, \$0.9 million for service lines, \$0.3 million for meters, \$0.3 million for hydrants, \$0.8 million for computer systems and \$3.8 million for various other items.

Liquidity

The capital program in Delaware will be financed through a combination of a capital contribution from Middlesex and long-term debt financing from either a financial institution or the Company. Middlesex, Tidewater and Bayview each have filed applications with their respective state agencies to qualify certain capital projects for financing through the State Revolving Fund (SRF). SRF provides low cost financing for projects that meet certain water quality improvement benchmarks. Most of the proceeds from those loans, if granted, will be used in 2002 with some minor expenditure in 2001. Other capital expenditures will be financed through internally generated funds and sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan (DRP). Capital expenditures of \$4.2 million have been incurred in the six months ended June 30, 2001. The Company will also utilize short-term borrowings through \$18.0 million of available lines of credit it has with two commercial banks for working capital purposes. At June 30, 2001, there was \$9.1 million outstanding against the lines of credit.

Accounting Standards

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts. The adoption of this statement on January 1, 2001, had no impact on the financial statements.

The FASB issued two new accounting pronouncements. SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 will require business combinations entered into after June 30, 2001 to be accounted for using the purchase method of accounting. Specifically identifiable intangible assets acquired, other than goodwill, will be amortized over their estimated useful economic life. SFAS No. 142 eliminates amortization of goodwill. Goodwill impairment testing will be required at least annually. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized in an entity's statement of financial position at that date, regardless of when those assets were initially recognized.

The FASB also issued SFAS No. 143, Assets Retirement Obligation, which the Company is required to adopt January 1, 2003. The Company is currently evaluating the effect of adopting these three new accounting pronouncements.

Regulatory Matters

On April 10, 2001, Middlesex completed the purchase of the water utility assets and certain trade payables of Fortescue Realty Company. This transaction was effected with the creation of a wholly-owned subsidiary, Bayview Water Company. The first long-term objective for improving service to the 300 customers is to obtain low cost financing through the New Jersey State Revolving Fund (SRF) to replace the entire water distribution system. This plan calls for construction to begin in the fourth quarter of 2001. SRF financing is also expected to be in place by November 2001. Because of the system replacement, significant rate relief will be required. The Company is currently reviewing its timetable for filing for the necessary rate increase.

The Hearing Examiner issued his findings and recommendations report in connection with the petition by Tidewater before the Delaware Public Service Commission (PSC) to acquire the 2,200 customer Sea Colony, LLC water system. Although the Hearing Examiner stated that the record supports the approval of the application, the Hearing Examiner recommended that the PSC condition their approval on the removal of PSC Order No. 5592, which referenced failure to provide adequate or proper safe water services. That PSC Order pertained to the December 2000 base rate increase approved by the PSC.

Tidewater has filed a motion for the removal of PSC Order No. 5592. Three public hearings and one evidentiary hearings were held in connection with that motion. Tidewater believes that the record from those hearings will be favorable for the approval of the motion by the PSC at their August 21, 2001 meeting.

Outlook

Middlesex and its subsidiaries continue to review operations for cost reductions, without sacrificing service to our customers. Higher revenues from the most recently approved rate increases for Middlesex and the two Pinelands cases should help improve earnings over last year. A return to more typical spring and summer weather patterns will also increase revenues. Similarly, increased usage in Delaware may provide additional revenue as a result of the rate increase and restructured rates. The restructured rates now reflect a greater proportionate charge on the consumption component of the rate. Even with the recent rate increase in Delaware, we are earning less than half of the approved 9.14% rate of return. We are evaluating the timing of additional rate relief request in that jurisdiction. Our latest earnings projections for 2001 are between \$1.14 and \$1.18 per basic share.

Forward Looking Information

Certain matters discussed in this report on Form 10-Q are "forward-looking statements" intended to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such statements may address future plans, objectives, expectations and events concerning various matters such as capital expenditures, earnings, litigation, growth potential, rate and other regulatory matters, liquidity, capital resources and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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 First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$0.2 million of the current portion of four 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings
 A claim has been made by multiple plaintiffs for damages resulting from personal injury, including death, and property damage alleged to have been caused by the delivery in Delaware of inadequate quality water, and related claims. While the Company has little detail about the claim at this time, we have substantial insurance coverage, which we believe will be sufficient for all claims in this matter other than for punitive damages.

Item 2. Changes in Securities
 None.

Item 3. Defaults upon Senior Securities
 None.

Item 4. Submission of Matters to a Vote of Security Holders
 Annual Meeting of Shareholders held May 23, 2001.

Matters voted upon at the meeting:
 Nominees for Class II, term expiring 2004

	FOR	WITHHOLD
Stephen H. Mundy	4,068,835	72,303
Richard A. Russo	4,085,360	55,778

Resolution approving appointment of Deloitte & Touche LLP, Certified Public Accountants, as independent auditors for 2001:

FOR	AGAINST	ABSTAIN
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4,103,743	19,564	17,831

Item 5. Other Information
 None

Item 6. Exhibits and Reports on Form 8-K
 (a) Exhibits: None.

(b) Reports on Form 8-K: Filed June 26, 2001.

SIGNATURE

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

MIDDLESEX WATER COMPANY
(Registrant)

/s/ A. Bruce O'Connor

A. Bruce O'Connor
Vice President and Controller

Date: August 14, 2001