

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2011**
- 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)

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

<u>Title of Each Class:</u>	<u>Name of each exchange on which registered:</u>
Common Stock, No Par Value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted and posted on their corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2011 was \$290,059,068 based on the closing market price of \$18.58 per share.

The number of shares outstanding for each of the registrant's classes of common stock, as of March 5, 2012:
Common Stock, No par Value 15,703,480 shares outstanding

Documents Incorporated by Reference

Proxy Statement to be filed in connection with the Registrant's Annual Meeting of Stockholders to be held on May 22, 2012, which will be filed with the Securities and Exchange Commission within 120 days of the end of our 2011 fiscal year, is incorporated by reference into Part III.

**MIDDLESEX WATER COMPANY
FORM 10-K**

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Forward-Looking Statements

Certain statements contained in this annual report and in the documents incorporated by reference constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Middlesex Water Company (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, including the recovery of certain costs recorded as regulatory assets;
- statements as to the Company’s expected liquidity needs during the upcoming fiscal year and beyond and statements as to the sources and availability of funds to meet its liquidity needs;
- statements as to expected rates, consumption volumes, service fees, revenues, margins, expenses and operating results;
- statements as to the Company’s compliance with environmental laws and regulations and estimations of the materiality of any related costs;
- statements as to the safety and reliability of the Company’s equipment, facilities and operations;
- statements as to financial projections;
- statements as to the ability of the Company to pay dividends;
- statements as to the Company’s plans to renew municipal franchises and consents in the territories it serves;
- expectations as to the amount of cash contributions to fund the Company’s retirement benefit plans, including statements as to anticipated discount rates and rates of return on plan assets;
- statements as to trends; and
- statements regarding the availability and quality of our water supply.

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

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

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

For an additional discussion of factors that may affect the Company’s business and results of operations, see Item 1A - Risk Factors.

PART I

Item 1. Business.

Overview

Middlesex Water Company (Middlesex) was incorporated as a water utility company in 1897 and owns and operates regulated water utility and wastewater systems in New Jersey, Delaware and Pennsylvania. Middlesex also operates water and wastewater systems under contract on behalf of municipal and private clients in New Jersey and Delaware.

The terms “the Company,” “we,” “our,” and “us” refer to Middlesex Water Company and its subsidiaries, including Tidewater Utilities, Inc. (Tidewater) and Tidewater’s wholly-owned subsidiaries, Southern Shores Water Company, LLC (Southern Shores) and White Marsh Environmental Systems, Inc. (White Marsh). The Company’s other subsidiaries are 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), Tidewater Environmental Services, Inc. (TESI) and Twin Lakes Utilities, Inc. (Twin Lakes).

The Company’s principal executive offices are located at 1500 Ronson Road, Iselin, New Jersey 08830. Our telephone number is (732) 634-1500. Our internet website address is <http://www.middlesexwater.com>. We make available, free of charge through our internet website, reports and amendments filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, after such material is electronically filed with or furnished to the United States Securities and Exchange Commission (the SEC).

Middlesex System

The Middlesex System in New Jersey provides water services to approximately 60,000 retail customers, primarily in eastern Middlesex County, New Jersey and provides water under wholesale contracts to the City of Rahway, Townships of Edison and Marlboro, the Boroughs of Highland Park and Sayreville and the Old Bridge Municipal Utilities Authority. The Middlesex System treats, stores and distributes water for residential, commercial, industrial and fire prevention purposes. The Middlesex System also provides water treatment and pumping services to the Township of East Brunswick under contract. The Middlesex System produced approximately 64% of our 2011 consolidated operating revenues.

The Middlesex System’s retail customers are located in an area of approximately 55 square miles in Woodbridge Township, the City of South Amboy, the Boroughs of Metuchen and Carteret, portions of the Township of Edison and the Borough of South Plainfield in Middlesex County and, to a minor extent, a portion of the Township of Clark in Union County. Retail customers include a mix of residential customers, large industrial concerns and commercial and light industrial facilities. These customers are located in generally well-developed areas of central New Jersey.

The contract customers of the Middlesex System comprise an area of approximately 146 square miles with a population of approximately 303,000. Contract sales to Edison, Sayreville, Old Bridge, Marlboro and Rahway are supplemental to the existing water systems of these customers. The Middlesex System provides treated surface water under long-term agreements to East Brunswick, Marlboro, Old Bridge and Sayreville consistent with a plan approved by the New Jersey Department of Environmental Protection.

Middlesex provides water service to approximately 300 customers in Cumberland County, New Jersey. This system is referred to as Bayview and is not physically interconnected with the Middlesex System. Bayview produced less than 1% of our 2011 consolidated operating revenues.

Tidewater System

Tidewater, together with its wholly-owned subsidiary, Southern Shores, provides water services to approximately 36,000 retail customers for domestic, commercial and fire protection purposes in over 300 separate community water systems in New Castle, Kent and Sussex Counties, Delaware. White Marsh is an additional wholly-owned subsidiary that is unregulated as to rates and operates water and wastewater systems under contract for approximately 4,700 residential customers. White Marsh also owns the office buildings that Tidewater uses as its central business office campus. The Tidewater System produced approximately 25% of our 2011 consolidated operating revenues.

Utility Service Affiliates-Perth Amboy

USA-PA operates the City of Perth Amboy, New Jersey's water and wastewater systems under a 20-year agreement, which expires in 2018. USA-PA serves approximately 11,000 homes and businesses, most of which are served by both the water and wastewater systems. The agreement was effected under New Jersey's Water Supply Public-Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives fixed fees, and may receive variable fees, based on customer revenue growth. Fixed fee revenues increase over the term of the 20-year contract based upon a schedule of rates. USA-PA produced approximately 9% of our 2011 consolidated operating revenues.

In connection with the agreement with Perth Amboy, USA-PA entered into a 20-year subcontract with a wastewater operating company for the operation and maintenance of the Perth Amboy wastewater collection system. The subcontract provides for the sharing of certain fixed and variable fees and operating expenses.

Pinelands System

Pinelands Water provides water services to approximately 2,500 residential customers in Burlington County, New Jersey. Pinelands Water produced less than 1% of our 2011 consolidated operating revenues. Pinelands Water is not physically interconnected with the Middlesex System.

Pinelands Wastewater provides wastewater services to approximately 2,400 residential customers. Under contract, it also services one municipal wastewater system in Burlington County, New Jersey with approximately 200 residential customers. Pinelands Wastewater produced approximately 1% of our 2011 consolidated operating revenues.

Utility Service Affiliates, Inc.

USA offers residential customers in New Jersey and Delaware water service line and sewer lateral maintenance programs (LineCare). In August 2011, USA entered into a 10-year marketing agreement (the Agreement) with HomeServe USA (HomeServe), a leading provider of home maintenance service programs to service, develop and grow USA's LineCare customer base. During this period, USA will receive a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts. USA produced less than 1% of our 2011 consolidated operating revenues.

TESI System

TESI provides wastewater services to approximately 2,200 residential retail customers in Delaware. TESI produced approximately 1% of our 2011 consolidated operating revenues.

Twin Lakes System

Twin Lakes provides water services to approximately 120 residential customers in Shohola, Pennsylvania. Twin Lakes produced less than 1% of our 2011 consolidated operating revenues.

Financial Information

Consolidated operating revenues, operating income and net income are as follows:

	(Thousands of Dollars)		
	Years Ended December 31,		
	2011	2010	2009
Operating Revenues	\$ 102,069	\$ 102,735	\$ 91,243
Operating Income	\$ 24,201	\$ 26,597	\$ 20,161
Net Income	\$ 13,447	\$ 14,330	\$ 9,977

Operating revenues were earned from the following sources:

	Years Ended December 31,		
	2011	2010	2009
Residential	46.0%	45.5%	44.9%
Commercial	10.0	9.7	9.4
Industrial	9.2	8.7	9.0
Fire Protection	10.1	9.7	10.5
Contract Sales	13.1	14.6	13.1
Contract Operations	10.0	9.7	10.9
Other	1.6	2.1	2.2
Total	100.0%	100.0%	100.0%

Water Supplies and Contracts

Our New Jersey, Delaware and Pennsylvania water supply systems are physically separate and are not interconnected. In New Jersey, the Pinelands System and Bayview System are not interconnected with the Middlesex System or each other. We believe that we have adequate sources of water supply to meet the current service requirements of our present customers in New Jersey, Delaware and Pennsylvania.

Middlesex System

Our Middlesex System, which produced approximately 15.6 billion gallons in 2011, obtains water from surface sources and wells, or groundwater sources. In 2011, surface sources of water provided approximately 75% of the Middlesex System's water supply, groundwater sources provided approximately 18% from 31 wells and the balance was purchased from a non-affiliated water utility. Middlesex System's distribution storage facilities are used to supply water to customers at times of peak demand, outages and emergencies.

The principal source of surface water for the Middlesex System is the Delaware & Raritan Canal, which is owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority. Middlesex is under contract with the New Jersey Water Supply Authority, which expires November 30, 2023. The contract provides for average purchases of 27 million gallons per day (mgd) of untreated water from the Delaware & Raritan Canal, augmented by the Round Valley/Spruce Run Reservoir System. Surface water is pumped to, and treated at the Middlesex Carl J. Olsen (CJO) Water Treatment Plant. Middlesex also has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement provides for minimum purchase of 3.0 mgd of treated water with provisions for additional purchases.

Tidewater System

Our Tidewater System produced approximately 2.0 billion gallons in 2011 from 159 wells. In 2011, no new wells were placed into service and we retired 3 wells for the purpose of consolidating production facilities for more cost-efficient operation. Tidewater expects to continue to submit applications to Delaware regulatory authorities for the approval of additional wells as growth, demand and water quality warrant. The Tidewater System does not have a central treatment facility but has several regional, as well as several smaller independent, treatment plants. Several of its water systems in New Castle, Kent and Sussex Counties, Delaware have interconnected transmission systems.

Pinelands System

Water supply to our Pinelands System is derived from four wells which produced approximately 159.1 million gallons in 2011. The pumping capacity of the four wells is 2.2 million gallons per day.

Pinelands Wastewater System

The Pinelands Wastewater System discharges into the South Branch of the Rancocas Creek through a tertiary treatment plant that provides clarification, sedimentation, filtration and disinfection. The total capacity of the plant is 0.5 mgd, and the system treated approximately 113.2 million gallons in 2011.

Bayview System

Water supply to Bayview customers is derived from two wells, which delivered approximately 13.8 million gallons in 2011.

TESI System

The TESI System is comprised of seven wastewater treatment systems in Southern Delaware. The treatment plants provide clarification, sedimentation, and disinfection. The combined total treatment capacity of the plants is 0.6 mgd. The TESI System treated approximately 76.8 million gallons in 2011.

Twin Lakes System

Water supply to Twin Lakes' customers is derived from two wells, which delivered approximately 26.6 million gallons in 2011.

Employees

As of December 31, 2011, we had a total of 289 employees. No employees are represented by a union. We believe our employee relations are good. Wages and benefits are reviewed annually and are considered competitive within both the industry and the regions where we operate.

Competition

Our business in our franchised service area is substantially free from direct competition with other public utilities, municipalities and other entities. However, our ability to provide contract water supply and wastewater services and operations and maintenance services is subject to competition from other public utilities, municipalities and other entities. Although Tidewater has been granted an exclusive franchise for each of its existing community water systems, its ability to expand service areas can be affected by the Delaware Public Service Commission awarding franchises to other regulated water utilities with whom we compete for such franchises and for projects.

Regulation

Our rates charged to customers for water and wastewater services, the quality of the services we provide and certain other matters are regulated by the following state utility commissions (collectively, the Utility Commissions):

- New Jersey-New Jersey Board of Public Utilities (NJBPU)
- Delaware-Delaware Public Service Commission (DEPSC)
- Pennsylvania-Pennsylvania Public Utilities Commission (PAPUC)

Our USA, USA-PA and White Marsh subsidiaries are not regulated public utilities. However they are subject to environmental regulation with respect to water and wastewater effluent quality.

We are subject to environmental and water quality regulation by the following regulatory agencies (collectively, the Government Environmental Regulatory Agencies):

- United States Environmental Protection Agency (EPA)
- New Jersey Department of Environmental Protection (NJDEP) with respect to operations in New Jersey
- Delaware Department of Natural Resources and Environmental Control (DEDNREC), the Delaware Department of Health and Social Services-Division of Public Health (DEDPH), and the Delaware River Basin Commission (DRBC) with respect to operations in Delaware
- Pennsylvania Department of Environmental Protection (PADEP) with respect to operations in Pennsylvania

In addition, our issuances of equity securities are subject to the prior approval of the NJBPU and require registration with the SEC. Our issuances of long-term debt securities are subject to the prior approval of the appropriate Utility Commissions.

Regulation of Rates and Services

For ratemaking purposes, we account separately for operations in New Jersey, Delaware and Pennsylvania to facilitate independent ratemaking by the applicable Utility Commissions.

In determining our rates, the respective Utility Commissions consider the revenue, expenses, rate base of property used and useful in providing service to the public and a fair rate of return on investments within their separate jurisdictions. Rate determinations by the respective Utility Commissions do not guarantee particular rates of return to us for our New Jersey, Delaware and Pennsylvania operations. Thus, we may not achieve the rates of return permitted by the Utility Commissions. In addition, there can be no assurance that any future rate increases will be granted or, if granted, that they will be in the amounts requested.

Middlesex Rate Matters

In January 2012, Middlesex filed an application with the NJBPU seeking permission to increase its base rates by approximately \$11.3 million per year. The request was made as a result of capital investments Middlesex has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request. A decision by the NJBPU is not expected until the fourth quarter of 2012.

In August 2011, Middlesex implemented a NJBPU approved Purchased Water Adjustment Clause (PWAC), which allows for the recovery of increased costs of \$0.4 million to purchase untreated water from the New Jersey Water Supply Authority (NJWSA) and treated water from a non-affiliated regulated water utility. It is expected that the PWAC rate will reset to zero as part of the ultimate decision rendered in the aforementioned Middlesex base rate increase request.

In March 2010, the NJBPU granted an increase in Middlesex's annual operating revenues of 13.57%, or \$7.8 million. The increase was necessitated by increased costs, as well as to provide a return on invested capital in rate base of \$180.3 million based on a return on equity of 10.30%.

Tidewater Rate Matters

In September 2011, Tidewater filed an application with the DEPSC seeking permission to increase its base rates by approximately \$6.9 million per year. The request was made as a result of capital investments Tidewater has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the DEPSC will ultimately approve, deny, or reduce the amount of the request. A decision by the DEPSC is not expected until the second half of 2012. In connection with the rate increase application, Tidewater implemented a DEPSC approved 10.49% interim rate increase, subject to refund, on November 15, 2011.

A Distribution System Improvement Charge (DSIC) is a DEPSC approved rate-mechanism that allows water utilities to recover investment in non-revenue producing capital improvements to the water system between base rate proceedings. The following summarizes Tidewater's approved DSIC rates from January 1, 2011 through November 15, 2011, when Tidewater's DSIC was set to 0.0% in connection with the aforementioned 10.49% interim rate increase:

Date	January 1, 2011	July 1, 2011
% Increase	0.27%	0.65%
Cumulative %	1.34%	1.98%

In September 2009, the DEPSC approved an overall 14.95% or \$3.0 million increase in Tidewater's base rates. This rate increase approval is based on a 10.0% return on equity.

TESI Rate Matters

In July 2011, TESI filed an application with the DEPSC seeking permission to increase its base rates by approximately \$0.8 million per year. The request was made as a result of capital investments TESI has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the DEPSC will ultimately approve, deny, or reduce the amount of the request. A decision by the DEPSC is not expected until mid 2012. In connection with the rate increase application, TESI implemented a DEPSC approved 7.6% interim rate increase, subject to refund, on September 28, 2011.

Southern Shores Rate Matters

Effective June 1, 2011, the DEPSC approved a multi-year agreement for a phased-in base rate increase for Southern Shores. This increase was made as a result of capital investment in the upgrade and renovation of Southern Shores' primary water treatment facilities, as well as by increased operating costs. Under the terms of the agreement, which expires on June 30, 2020, Southern Shores also increased rates on January 1, 2012, and will do so on each successive January 1st through 2015, to generate approximately \$0.1 million of additional revenue on an annual basis with each increase. Thereafter, rate increases, if any, cannot exceed the lesser of the regional Consumer Price Index or 3%.

In accordance with the tariff established for Southern Shores, a rate increase of 8.9% was implemented in January 2012.

Twin Lakes Rate Matters

In December 2011, Twin Lakes and the interveners in the Twin Lakes Rate Case reached a settlement that provided a \$0.1 million, three-year phased-in base rate increase for Twin Lakes. This increase was made as a result of capital investment in the upgrade and renovation of the Twin Lakes System, as well as by increased operating costs. The settlement was approved by the PAPUC in March 2012.

Future Rate Filings

Pinelands Water and Pinelands Wastewater are expected to also file for rate increases in 2012. There can be no assurances however, that the NJBPU will approve the anticipated rate increase requests in whole or in part. In addition, the timing of approval of these rate requests is presently not known.

Water and Wastewater Quality and Environmental Regulations

Government Environmental Regulatory Agencies regulate our operations in New Jersey, Delaware and Pennsylvania with respect to water supply, treatment and distribution systems and the quality of the water. They also regulate our operations with respect to wastewater collection and treatment.

Regulations relating to water quality require us to perform tests to ensure our water meets state and federal quality requirements. In addition, Government Environmental Regulatory Agencies continuously review current regulations governing the limits of certain organic compounds found in the water as byproducts of the treatment process. We participate in industry-related research to identify the various types of technology that might reduce the level of organic, inorganic and synthetic compounds found in the water. The cost to water companies of complying with the proposed water quality standards depends in part on the limits set in the regulations and on the method selected to treat the water to the required standards. We regularly test our water to determine compliance with existing government environmental regulatory agencies' primary water quality standards.

Well water treatment in our Middlesex System is by chlorination for disinfection purposes. In addition, at certain locations, air stripping is used for removal of volatile organic compounds.

Surface water treatment in our Middlesex System is by conventional treatment; coagulation, sedimentation and filtration. The treatment process includes pH adjustment, chlorination for disinfection, and corrosion control for the distribution system.

Well water treatment in our Tidewater System is by chlorination for disinfection purposes and, in some cases, pH correction and filtration for nitrate and iron removal.

Well water treatment in the Pinelands, Bayview and Twin Lakes Systems (disinfection only) is performed at individual well sites.

The NJDEP, DEDPH and PADEP monitor our activities and review the results of water quality tests that are performed for adherence to applicable regulations. Other applicable regulations include the Federal Lead and Copper Rule, maximum contaminant levels established for various volatile organic compounds, the Federal Surface Water Treatment Rule and the Federal Total Coliform Rule.

Seasonality

Customer demand for our water during the warmer months is generally greater than other times of the year due primarily to additional consumption of water in connection with irrigation systems, swimming pools, cooling systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand may vary with temperature and rainfall timing and overall levels. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the customer demand for our water may decrease and therefore, adversely affect our revenues.

Management

This table lists information concerning our executive management team:

Name	Age	Principal Position(s)
Dennis W. Doll	53	President, Chief Executive Officer and Chairman of the Board of Directors
A. Bruce O'Connor	53	Vice President and Chief Financial Officer
Richard M. Risoldi	55	Vice President-Operations and Chief Operating Officer
Kenneth J. Quinn	64	Vice President-General Counsel, Secretary and Treasurer
Bernadette M. Sohler	51	Vice President-Corporate Affairs
Lorrie B. Ginegaw	37	Vice President-Human Resources
Gerard L. Esposito	60	President, Tidewater Utilities, Inc.

Dennis W. Doll – Mr. Doll joined the Company in November 2004 as Executive Vice President. He was elected President and Chief Executive Officer and became a Director of Middlesex effective January 1, 2006. In May 2010, he was elected Chairman of the Board of Directors of Middlesex. He is also Chairman for all subsidiaries of Middlesex. Prior to joining the Company, Mr. Doll had been employed in the regulated water utility business since 1985. Mr. Doll also serves as a volunteer Director on several non-profit Boards including the New Jersey Utilities Association, the National Association of Water Companies, the Water Research Foundation and Raritan Bay Medical Center.

A. Bruce O'Connor – Mr. O'Connor, a Certified Public Accountant, joined the Company in 1990 and was elected Vice President and Chief Financial Officer in 1996. He is responsible for financial reporting, customer service, rate cases, cash management and financings. He is Treasurer and a Director of Tidewater, Tidewater TESI, USA, and White Marsh. He is Vice President, Treasurer and a Director of USA-PA, Pinelands Water and Pinelands Wastewater. He is also Vice President and Chief Financial Officer of Twin Lakes.

Richard M. Risoldi – Mr. Risoldi joined the Company in 1989 as Director of Production, responsible for the operation and maintenance of the Company's treatment and pumping facilities. He was appointed Assistant Vice President of Operations in 2003. He was elected Vice President-Subsidiary Operations in May 2004, responsible for regulated and unregulated subsidiary operations and business development. In January 2010, he became Vice President – Operations and Chief Operating Officer. He is a Director of Tidewater, TESI, White Marsh and USA-PA. He also serves as Director and President of Pinelands Water, Pinelands Wastewater, USA and Twin Lakes.

Kenneth J. Quinn – Mr. Quinn joined the Company in 2002 as General Counsel and was elected Assistant Secretary in 2003. In 2004, Mr. Quinn was elected Vice President, Secretary and Treasurer for Middlesex and Secretary and Assistant Treasurer for all subsidiaries of Middlesex. Prior to joining the Company he had been employed in private law practice as well as by two major banking institutions located in New Jersey. He is a member of the New Jersey State Bar Association and its Public Utility Law Section.

Bernadette M. Sohler – Ms. Sohler joined the Company in 1994 and was named Director of Communications in 2003 and promoted to Vice President-Corporate Affairs in March 2007 with responsibilities for corporate, investor and employee communications, media and government relations, marketing, community affairs and corporate philanthropic activities. She also serves as Vice President of USA. Prior to joining the Company, Ms. Sohler held marketing and public relations management positions in the financial services industry.

Lorrie B. Ginegaw – Ms. Ginegaw joined Tidewater in 2004. In September 2005, Ms. Ginegaw was promoted to Human Resources Manager. In May 2007, Ms. Ginegaw was promoted to Director of Human Resources for Middlesex. Effective March 1, 2012, Ms. Ginegaw was appointed Vice President-Human Resources. Ms. Ginegaw is responsible for all Human Resources throughout the Company. Prior to joining the Company, Ms. Ginegaw worked in various human resources positions in the healthcare and transportation/logistics industries. She is the Chair of the New Jersey Utilities Association's Human Resources Committee and a member of the Middlesex County Workforce Investment Board.

Gerard L. Esposito – Mr. Esposito joined Tidewater in 1998 as Executive Vice President. He was elected President of Tidewater and White Marsh in 2003 and elected President of TESI in January 2005. Prior to joining the Company he worked in various executive positions for Delaware environmental protection and water quality governmental agencies. He is a Director of Tidewater, TESI, and White Marsh.

Item 1A. Risk Factors.

Our revenue and earnings depend on the rates we charge our customers. We cannot raise utility rates in our regulated businesses without filing a petition with the appropriate Utility Commissions. If these agencies modify, delay, or deny our petition, our revenues will not increase and our earnings will decline unless we are able to reduce costs.

The NJBPU regulates our public utility companies in New Jersey with respect to rates and charges for service, classification of accounts, awards of new service territory, acquisitions, financings and other matters. That means, for example, that we cannot raise the utility rates we charge to our customers without first filing a petition with the NJBPU and going through a lengthy administrative process. In much the same way, the DEPSC and the PAPUC regulate our public utility companies in Delaware and Pennsylvania, respectively. We cannot give assurance of when we will request approval for any such matter, nor can we predict whether these Utility Commissions will approve, deny or reduce the amount of such requests.

Certain costs of doing business are not completely within our control. The failure to obtain any rate increase would prevent us from increasing our revenues and, unless we are able to reduce costs, would result in reduced earnings.

General economic conditions may materially and adversely affect our financial condition and results of operations.

Recent economic conditions have negatively impacted our customers' water usage demands, particularly the level of water usage demand by our commercial and industrial customers in our Middlesex System. We are unable to determine when these customers' water demands may return to previous levels, or if the decline in demand will continue indefinitely. If water demand by our commercial and industrial customers in our Middlesex System does not return to previous levels, our financial condition and results of operations could be negatively impacted.

Recent economic conditions have also impacted the volume and pace of residential construction in our Delaware markets and in other states where developer-projects are in various stages of completion. The timing and extent of recovery of our engineering and other preliminary survey and investigation (PS&I) charges either from the construction of a project that yields customers or from reimbursements from a developer is dependent upon the timing and extent to which such projects may or may not be further developed or from our ability to collect amounts contractually owed to us. If it is determined that recovery is unlikely, the applicable PS&I costs will be charged against income in the period of determination.

We are subject to environmental laws and regulations, including water quality and wastewater effluent quality regulations, as well as other state and local regulations. Compliance with those laws and regulations requires us to incur costs and we are subject to fines or other sanctions for non-compliance.

Government Environmental Regulatory Agencies regulate our operations in New Jersey, Delaware and Pennsylvania with respect to water supply, treatment and distribution systems and the quality of water. Government Environmental Regulatory Agencies' regulations relating to water quality require us to perform expanded types of testing to ensure that our water meets state and federal water quality requirements. We are subject to EPA regulations under the Federal Safe Drinking Water Act, which include the Lead and Copper Rule, the maximum contaminant levels established for various volatile organic compounds, the Federal Surface Water Treatment Rule and the Total Coliform Rule. There are also similar NJDEP regulations for our New Jersey water systems. The NJDEP, DEDPH and PADEP monitor our activities and review the results of water quality tests that we perform for adherence to applicable regulations. In addition, Government Environmental Regulatory Agencies are continually reviewing regulations governing the limits of certain organic compounds found in the water as byproducts of treatment.

We are also subject to regulations related to fire protection services in New Jersey and Delaware. In New Jersey there is no state-wide fire protection regulatory agency. However, New Jersey regulations exist as to the size of piping required regarding the provision of fire protection services. In Delaware, fire protection is regulated statewide by the Office of State Fire Marshal.

The cost of compliance with the water and wastewater effluent quality standards depends in part on the limits set in the regulations and on the method selected to implement them. If new or more restrictive standards are imposed, the cost of compliance could be very high and have an adverse impact on our revenues and results of operations if we cannot recover those costs through our rates that we charge our customers. The cost of compliance with fire protection requirements could also be high and make us less profitable if we cannot recover those costs through our rates charged to our customers.

In addition, if we fail to comply with environmental or other laws and regulations to which our business is subject, we could be fined or subject to other sanctions, which could adversely impact our business or results of operations.

We depend upon our ability to raise money in the capital markets to finance some of the costs of complying with laws and regulations, including environmental laws and regulations or to pay for some of the costs of improvements to or the expansion of our utility system assets. Our regulated utility companies cannot issue debt or equity securities without regulatory approval.

We require financing to fund the ongoing capital program for the improvement of our utility system assets and for planned expansion of those systems. We expect to spend approximately \$56.2 million for capital projects through 2014. We must obtain regulatory approval to sell debt or equity securities to raise money for these projects. If sufficient capital is not available or the cost of capital is too high, or if the regulatory authorities deny a petition of ours to sell debt or equity securities, we may not be able to meet the costs of complying with environmental laws and regulations or the costs of improving and expanding our utility system assets to the level we believe necessary. This might result in the imposition of fines or restrictions on our operations and may curtail our ability to improve upon and expand our utility system assets.

Weather conditions and overuse of underground aquifers may interfere with our sources of water, demand for water services and our ability to supply water to customers.

Our ability to meet the existing and future water demands of our customers depends on an adequate supply of water. Unexpected conditions may interfere with our water supply sources. Drought and overuse of underground aquifers may limit the availability of ground and/or surface water. Freezing weather may also contribute to water transmission interruptions caused by pipe and/or main breakage. Any interruption in our water supply could cause a reduction in our revenue and profitability. These factors might adversely affect our ability to supply water in sufficient quantities to our customers. Governmental drought restrictions might result in decreased use of water services and can adversely affect our revenue and earnings.

Our business is subject to seasonal fluctuations, which could affect demand for our water service and our revenues.

Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional consumption of water in connection with irrigation systems, swimming pools, cooling systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand may vary with temperature and rainfall levels. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the demand for our water may decrease and adversely affect our revenues.

Our water sources may become contaminated by naturally-occurring or man-made compounds and events. This may cause disruption in services and impose costs to restore the water to required levels of quality.

Our sources of water may become contaminated by naturally-occurring or man-made compounds and events. In the event that our water supply is contaminated, we may have to interrupt the use of that water supply until we are able to install treatment equipment or substitute the flow of water from an uncontaminated water source through our transmission and distribution systems. We may also incur significant costs in treating the contaminated water through the use of our current treatment facilities, or development of new treatment methods. Our inability to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost-effective manner may reduce our revenues and make us less profitable.

We face competition from other water and wastewater utilities and service providers which might hinder our growth and reduce our profitability.

We face risks of competition from other utilities authorized by federal, state or local agencies. Once a state utility regulator grants a franchise to a utility to serve a specific territory, that utility effectively has an exclusive right to service that territory. Although a new franchise offers some protection against competitors, the pursuit of franchises is competitive, especially in Delaware, where new franchises may be awarded to utilities based upon competitive negotiation. Competing utilities have challenged, and may in the future challenge, our applications for new franchises. Also, third parties entering into long-term agreements to operate municipal systems might adversely affect us and our long-term agreements to supply water on a contract basis to municipalities, which could adversely affect our operating results.

We have a long-term contractual obligation for water and wastewater system operation and maintenance under which we may incur costs in excess of payments received.

USA-PA operates and maintains the water and wastewater systems of the City of Perth Amboy, New Jersey under a 20-year contract expiring in 2018. This contract does not protect us against incurring costs in excess of revenues we earn pursuant to the contract. There can be no absolute assurance that we will not experience losses resulting from this contract. Losses under this contract, or our failure or inability to perform, may have a material adverse effect on our financial condition and results of operations.

An important element of our growth strategy is the acquisition of water and wastewater assets, operations, contracts or companies. Any pending or future acquisitions we decide to undertake may involve risks.

The acquisition and/or operation of water and wastewater systems is an important element in our growth strategy. This strategy depends on identifying suitable opportunities and reaching mutually agreeable terms with acquisition candidates or contract partners. These negotiations, as well as the integration of acquired businesses, could require us to incur significant costs and cause diversion of our management's time and resources. Further, acquisitions may result in dilution of our equity securities, incurrence of debt and contingent liabilities, fluctuations in quarterly results and other related expenses. In addition, the assets, operations, contracts or companies we acquire may not achieve the sales and profitability expected.

The current concentration of our business in central New Jersey and Delaware makes us susceptible to any adverse development in local regulatory, economic, demographic, competitive and weather conditions.

Our New Jersey water and wastewater businesses provide services to customers who are located primarily in eastern Middlesex County, New Jersey. Water service is provided under wholesale contracts to the Townships of Edison and Marlboro, the Boroughs of Highland Park and Sayreville, the Old Bridge Municipal Utilities Authority, and the City of Rahway in Union County, New Jersey. We also provide water and wastewater services to customers in the State of Delaware. Our revenues and operating results are therefore subject to local regulatory, economic, demographic, competitive and weather conditions in a relatively concentrated geographic area. A change in any of these conditions could make it more costly or difficult for us to conduct our business. In addition, any such change would have a disproportionate effect on us, compared to water utility companies that do not have such a geographic concentration.

The necessity for ongoing security has and may continue to result in increased operating costs.

Because of the continuing threats to the health and security of the United States of America, we employ procedures to review and modify, as necessary, security measures at our facilities. We provide ongoing training and communications to our employees about threats to our water supply and to their personal safety. Our security measures include protocols regarding delivery and handling of certain chemicals used in our business. We are at risk for terrorist attacks and have incurred, and will continue to incur, costs for security measures to protect our facilities, operations and supplies from such risks.

Our ability to achieve growth in our market area is dependent on the residential building market. Housing starts impact our rate of growth and therefore, may not meet our expectations.

We expect our revenues to increase from customer growth for our regulated water and wastewater operations as a result of anticipated construction and sale of new housing units. Although the residential building market in Delaware has experienced growth in recent years, this growth has slowed due to current economic conditions. If housing starts decline further, or do not increase as we have projected, as a result of economic conditions or otherwise, the timing and extent of our revenue growth may not meet our expectations, our deferred project costs may not produce revenue-generating projects in the timeframes anticipated and our financial results could be negatively impacted.

There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

We have paid dividends on our common stock each year since 1912 and have increased the amount of dividends paid each year since 1973. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on common stock and the amount of those dividends. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

If we are unable to pay the principal and interest on our indebtedness as it comes due or we default under certain other provisions of our loan documents, our indebtedness could be accelerated and our results of operations and financial condition could be adversely affected.

Our ability to pay the principal and interest on our indebtedness as it comes due will depend upon our current and future performance. Our performance is affected by many factors, some of which are beyond our control. We believe that our cash generated from operations, and, if necessary, borrowings under our existing credit facilities will be sufficient to enable us to make our debt payments as they become due. If, however, we do not generate sufficient cash, we may be required to refinance our obligations or sell additional equity, which may be on terms that are not as favorable to us.

No assurance can be given that any refinancing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our failure to comply with certain provisions contained in our trust indentures and loan agreements relating to our outstanding indebtedness could lead to a default under these documents, which could result in an acceleration of our indebtedness.

We depend significantly on the services of the members of our senior management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our senior management team. If we lose the services of any member of our senior management or are unable to hire and retain experienced management personnel, our operating results could be negatively impacted.

We are subject to anti-takeover measures that may be used by existing management to discourage, delay or prevent changes of control that might benefit non-management shareholders.

Subsection 10A of the New Jersey Business Corporation Act, known as the New Jersey Shareholders Protection Act, applies to us. The Shareholders Protection Act deters merger proposals, tender offers or other attempts to effect changes in control that are not approved by our Board of Directors. In addition, we have a classified Board of Directors, which means only one-third of the Directors are elected each year. A classified Board can make it harder for an acquirer to gain control by voting its candidates onto the Board of Directors and may also deter merger proposals and tender offers. Our Board of Directors also has the ability, subject to obtaining NJBPU approval, to issue one or more series of preferred stock having such number of shares, designation, preferences, voting rights, limitations and other rights as the Board of Directors may fix. This could be used by the Board of Directors to discourage, delay or prevent an acquisition that the Board of Directors determines is not in the best interest of the common stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Utility Plant

The water utility plant in our systems consist of source of supply, pumping, water treatment, transmission and distribution, general facilities and all appurtenances, including all connecting pipes.

The wastewater utility plant in our systems consist of pumping, treatment, collection mains, general facilities and all appurtenances, including all connecting pipes.

Middlesex System

The Middlesex System's principal source of surface supply is the Delaware & Raritan Canal owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority.

Water is withdrawn from the Delaware & Raritan Canal at New Brunswick, New Jersey through our intake and pumping station, located on state-owned land bordering the canal. Water is transported through two raw water pipelines for treatment and distribution at our CJO Water Treatment Plant in Edison, New Jersey.

The CJO Water Treatment Plant includes chemical storage and chemical feed equipment, two dual rapid mixing basins, four upflow clarifiers which are also called superpulvators, four underground reinforced chlorine contact tanks, twelve rapid filters containing gravel, sand and anthracite for water treatment and a steel washwater tank. The CJO Water Treatment Plant also includes a computerized Supervisory Control and Data Acquisitions system to monitor and control the CJO Water Treatment Plant and the water supply and distribution system in the Middlesex System. There is an on-site State certified laboratory capable of performing bacteriological, chemical, process control and advanced instrumental chemical sampling and analysis. The firm design capacity of the CJO Water Treatment Plant is 55 mgd (60 mgd maximum capacity). The five electric motor-driven, vertical turbine pumps presently installed have an aggregate capacity of 85 mgd.

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In addition, there is a 15 mgd auxiliary pumping station located at the CJO Water Treatment Plant location. It has a dedicated substation and emergency power supply provided by a diesel-driven generator. It pumps from the 10 million gallon distribution storage reservoir directly into the distribution system.

The transmission and distribution system is comprised of 740 miles of mains and includes 23,200 feet of 48-inch reinforced concrete transmission main connecting the CJO Water Treatment Plant to our distribution pipe network and related storage facilities. Also included is a 58,600 foot transmission main and a 38,800 foot transmission main, augmented with a long-term, non-exclusive agreement with the East Brunswick system to transport water to several of our contract customers.

The Middlesex System's storage facilities consist of a 10 million gallon reservoir at the CJO Water Treatment Plant, 5 million gallon and 2 million gallon reservoirs in Edison (Grandview), a 5 million gallon reservoir in Carteret (Eborn) and a 2 million gallon reservoir at the Park Avenue Well Field.

In New Jersey, we own the properties on which the Middlesex System's 31 wells are located, the properties on which our storage tanks are located as well as the property where the CJO Water Treatment Plant is located. We also own our headquarters complex located at 1500 Ronson Road, Iselin, New Jersey, consisting of a 27,000 square foot office building and an adjacent 16,500 square foot maintenance facility.

Tidewater System

The Tidewater System is comprised of 83 production plants that vary in pumping capacity from 26,000 gallons per day to 2.0 mgd. Water is transported to our customers through 629 miles of transmission and distribution mains. Storage facilities include 46 tanks, with an aggregate capacity of 6.0 million gallons. Our Delaware operations are managed from Tidewater's offices in Dover, Delaware. The Delaware office property, located on an eleven-acre lot owned by White Marsh, consists of two office buildings totaling approximately 17,000 square feet.

Pinelands System

Pinelands Water owns well site and storage properties in Southampton Township, New Jersey. The Pinelands Water storage facility is a 1.2 million gallon standpipe. Water is transported to our customers through 18 miles of transmission and distribution mains.

Pinelands Wastewater System

Pinelands Wastewater owns a 12 acre site on which its 0.5 million gallons per day capacity tertiary treatment plant and connecting pipes are located. Its wastewater collection system is comprised of approximately 24 miles of sewer lines.

Bayview System

Bayview owns two well sites, which are located in Downe Township, Cumberland County, New Jersey. Water is transported to its customers through our 4.2 mile distribution system.

TESI System

The TESI System is comprised of seven wastewater treatment systems in Southern Delaware. The treatment plants provide clarification, sedimentation, and disinfection. The combined total capacity of the plants is 0.6 mgd. TESI's wastewater collection system is comprised of approximately 33 miles of sewer lines.

Twin Lakes System

Twin Lakes owns two well sites, which are located in the Township of Shohola, Pike County, Pennsylvania. Water is transported to our customers through 3.7 miles of distribution mains.

USA-PA, USA and White Marsh

Our non-regulated subsidiaries, namely USA-PA, USA and White Marsh, do not own utility plant property.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II**Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.**

The Company's common stock is traded on the NASDAQ Stock Market, LLC, under the symbol MSEX. The following table shows the range of high and low share prices per share for the common stock and the dividend paid to shareholders in such quarter. As of December 31, 2011, there were 1,907 holders of record.

<u>2011</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
Fourth Quarter	\$ 19.44	\$ 16.51	\$ 0.1850
Third Quarter	\$ 19.19	\$ 16.54	\$ 0.1825
Second Quarter	\$ 19.29	\$ 17.77	\$ 0.1825
First Quarter	\$ 19.31	\$ 17.35	\$ 0.1825

<u>2010</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
Fourth Quarter	\$ 19.31	\$ 16.77	\$ 0.1825
Third Quarter	\$ 17.16	\$ 15.48	\$ 0.1800
Second Quarter	\$ 18.70	\$ 14.74	\$ 0.1800
First Quarter	\$ 18.00	\$ 16.16	\$ 0.1800

The Company has paid dividends on its common stock each year since 1912. The payment of future dividends is contingent upon the future earnings of the Company, its financial condition and other factors deemed relevant by the Board of Directors at its discretion.

If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock. In the event dividends on the preferred stock are in arrears, no dividends may be declared or paid on the common stock of the Company.

In June 2010, the Company sold and issued 1.9 million shares of common stock in a public offering that was priced at \$15.21 per share. The net proceeds of approximately \$27.8 million were used to repay certain of the Company's short-term debt outstanding.

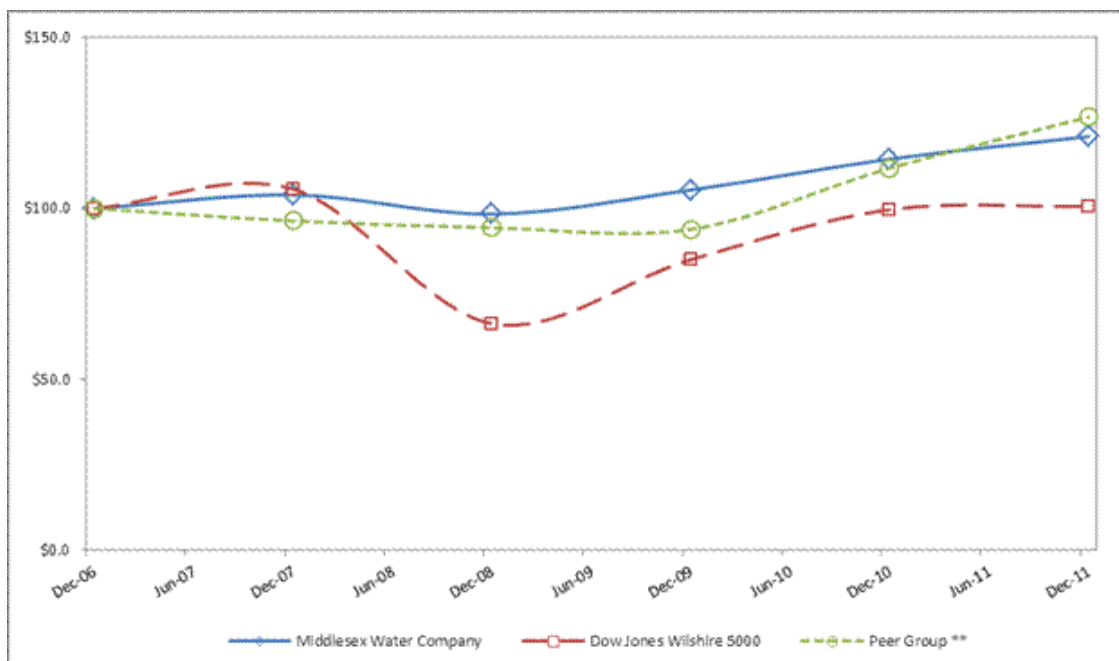
The Company periodically issues shares of common stock in connection with its Dividend Reinvestment and Common Stock Purchase Plan (the DRP). The Company raised approximately \$1.5 million through the issuance of 0.1 million shares under the Plan during 2011.

The Company has a stock compensation plan for certain management employees (the 2008 Restricted Stock Plan). The Company maintains an escrow account for 0.1 million awarded shares of the Company's common stock for the 2008 Restricted Stock Plan. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the award other than as a result of retirement, death, disability or change in control. The maximum number of shares authorized for grant under the 2008 Restricted Stock Plan is 0.3 million shares and 0.2 million shares remain available for future awards under the 2008 Restricted Stock Plan.

The Company has a stock compensation plan for its outside directors (the Outside Director Stock Compensation Plan). In 2011, 3,833 shares of common stock were granted and issued to the Company's outside directors under the Outside Director Stock Compensation Plan. The maximum number of shares authorized for grant under the Outside Director Stock Compensation Plan is 100,000. 93,197 shares remain available for future grants under the Outside Director Stock Compensation Plan.

Set forth below is a line graph comparing the yearly change in the cumulative total return (which includes reinvestment of dividends) of a \$100 investment for the Company's common stock, a peer group of investor-owned water utilities, and the Dow Jones Wilshire 5000 Stock Index for the period of five years commencing December 31, 2006. The Dow Jones Wilshire 5000 Stock Index measures the performance of all U.S. headquartered equity securities with readily available price data.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among Middlesex Water Company, The Dow Jones Wilshire 5000 Index and a Peer Group*



* Peer group includes American States Water Company, American Water Works, Inc., Aqua America Inc., Artesian Resources Corp., California Water Service Company, Connecticut Water Service, Inc., Pennichuck Corp., SJW Corp., York Water Company and Middlesex.

	December 31,					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Middlesex Water Company	100.00	103.99	98.37	105.45	114.46	121.08
Dow Jones Wilshire 5000	100.00	105.62	66.29	85.05	99.65	100.62
Peer Group	100.00	96.35	94.37	93.92	111.80	126.78

Item 6. Selected Financial Data.

**CONSOLIDATED SELECTED FINANCIAL DATA
(Thousands Except per Share Data)**

	2011	2010	2009	2008	2007
Operating Revenues	\$ 102,069	\$ 102,735	\$ 91,243	\$ 91,038	\$ 86,114
Operating Expenses:					
Operations and Maintenance	56,634	55,481	52,348	48,929	46,240
Depreciation	9,746	9,244	8,559	7,922	7,539
Other Taxes	11,488	11,413	10,175	10,168	9,664
Total Operating Expenses	77,868	76,138	71,082	67,019	63,443
Operating Income	24,201	26,597	20,161	24,019	22,671
Other Income, Net	2,149	1,444	1,726	1,302	1,527
Interest Charges	6,376	6,925	6,750	7,057	6,619
Income Taxes	6,527	6,786	5,160	6,056	5,736
Net Income	13,447	14,330	9,977	12,208	11,843
Preferred Stock Dividend	206	207	208	218	248
Earnings Applicable to Common Stock	\$ 13,241	\$ 14,123	\$ 9,769	\$ 11,990	\$ 11,595
Earnings per Share:					
Basic	\$ 0.85	\$ 0.96	\$ 0.73	\$ 0.90	\$ 0.88
Diluted	\$ 0.84	\$ 0.96	\$ 0.72	\$ 0.89	\$ 0.87
Average Shares Outstanding:					
Basic	15,615	14,654	13,454	13,317	13,203
Diluted	15,877	14,916	13,716	13,615	13,534
Dividends Declared and Paid	\$ 0.733	\$ 0.723	\$ 0.713	\$ 0.703	\$ 0.693
Total Assets	\$ 537,536	\$ 489,185	\$ 458,086	\$ 440,000	\$ 392,675
Convertible Preferred Stock	\$ 2,273	\$ 2,273	\$ 2,273	\$ 2,273	\$ 2,856
Long-term Debt	\$ 132,167	\$ 133,844	\$ 124,910	\$ 118,217	\$ 131,615

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion of the Company's historical results of operations and financial condition should be read in conjunction with the Company's consolidated financial statements and related notes.

Management's Overview

Operations

Middlesex Water Company has operated as a water utility in New Jersey since 1897, in Delaware through our wholly-owned subsidiary, Tidewater, since 1992 and in Pennsylvania through our wholly-owned subsidiary, Twin Lakes, since 2009. We are in the business of collecting, treating and distributing 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 regulated wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services, as to the quality of water service we provide and as to certain other matters in New Jersey, Delaware and Pennsylvania. Only 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 60,000 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 303,000. In partnership with our subsidiary, USA-PA, we operate the water supply system and wastewater system for the City of Perth Amboy, New Jersey. Our Bayview subsidiary provides water services in Downe Township, New Jersey. Our other New Jersey subsidiaries, Pinelands Water and Pinelands Wastewater, provide water and wastewater services to residents in Southampton Township, New Jersey.

USA offers residential customers in New Jersey and Delaware water service line and sewer lateral maintenance programs (LineCare). In August 2011, USA entered into a 10-year marketing agreement (the Agreement) with HomeServe, a leading provider of home maintenance service programs to service, develop and grow USA's LineCare customer base. During this period, USA will receive a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts.

Our Delaware subsidiaries, Tidewater and Southern Shores, provide water services to approximately 36,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Tidewater's subsidiary, White Marsh, services approximately 4,700 customers in Kent and Sussex Counties through various operations and maintenance contracts.

Our TESI subsidiary provides wastewater services to approximately 2,200 residential retail customers. We expect the growth of our regulated wastewater operations in Delaware will eventually become a more significant component of our operations.

Our Pennsylvania subsidiary, Twin Lakes, provides water services to approximately 120 retail customers in the Township of Shohola, Pike County, Pennsylvania.

The majority of our revenue is generated from retail and contract water services to customers in our regulated 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.

Recent Developments

Investment in Ridgewood Green RME, LLC - Middlesex and NSU Ridgewood, LLC, a wholly-owned subsidiary of Natural Systems Utilities, LLC, formed a joint venture, Ridgewood Green RME, LLC, (Ridgewood Green), which entered into a 20-year public-private partnership with the Village of Ridgewood, New Jersey (Ridgewood) whereby Ridgewood Green will design, build, own and operate facilities to optimize the production of electricity at Ridgewood's municipal wastewater treatment plant. Operation of the facilities is expected to begin in the fourth quarter of 2012.

Sunoco Logistics Partners L.P. Wastewater Treatment Facility Operating Agreement - USA has entered into a one-year agreement with Sunoco Logistics Partners L.P. (Sunoco Logistics) to operate the Eagle Point Biological Wastewater Treatment Facility (Eagle Point) in Westville, New Jersey. USA will be responsible for the daily operation of the industrial wastewater treatment facility at Sunoco Logistics' refined products terminal at Eagle Point commencing in the first quarter of 2012.

Strategy

Our strategy is focused on four key areas:

- Serve as a trusted and continually-improving provider of safe, reliable and cost-effective water, wastewater and related services;
- Provide a comprehensive suite of water and wastewater solutions in the continually-developing Delaware market that results in profitable growth;
- Pursue profitable growth in our core states of New Jersey and Delaware, as well as additional states; and
- Invest in products, services and other viable opportunities that complement our core competencies.

Rates

Middlesex - In January 2012, Middlesex filed an application with the NJBPU seeking permission to increase its base rates by approximately \$11.3 million per year. The request was as a result of capital investments Middlesex has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request. A decision by the NJBPU is not expected until the fourth quarter 2012.

In August 2011, Middlesex implemented a NJBPU approved PWAC, which allows for the recovery of increased costs of \$0.4 million to purchase untreated water from the NJWSA and treated water from a non-affiliated regulated water utility. It is expected that the PWAC rate will reset to zero as part of the ultimate decision rendered in the aforementioned Middlesex base rate increase request.

In March 2010, the NJBPU granted an increase in Middlesex's annual operating revenues of 13.57%, or \$7.8 million. The increase was necessitated by increased costs, as well as to provide a return on invested capital in rate base of \$180.3 million based on a return on equity of 10.30%.

Tidewater – In September 2011, Tidewater filed an application with the DEPSC seeking permission to increase its base rates by approximately \$6.9 million per year. The request was made as a result of capital investments Tidewater has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the DEPSC will ultimately approve, deny, or reduce the amount of the request. A decision by the DEPSC is not expected until the second half of 2012. In connection with the rate increase application, Tidewater implemented a DEPSC approved 10.49% interim rate increase, subject to refund, on November 15, 2011.

A DSIC is a DEPSC approved rate-mechanism that allows water utilities to recover investment in non-revenue producing capital improvements to the water system between base rate proceedings. The following summarizes Tidewater’s approved DSIC rates from January 1, 2011 through November 15, 2011, when Tidewater’s DSIC was set to 0.0% in connection with the aforementioned 10.49% interim rate increase:

Date	January 1, 2011	July 1, 2011
% Increase	0.27%	0.64%
Cumulative %	1.34%	1.98%

In September 2009, the DEPSC approved an overall 14.95% or \$3.0 million increase in Tidewater’s base rates. This rate increase approval is based on a 10.0% return on equity.

TESI – In July 2011, TESI filed an application with the DEPSC seeking permission to increase its base rates by approximately \$0.8 million per year. The request was made as a result of capital investments TESI has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the DEPSC will ultimately approve, deny, or reduce the amount of the request. A decision by the DEPSC is not expected until mid 2012. In connection with the rate increase application, TESI implemented a DEPSC approved 7.6% interim rate increase, subject to refund, on September 28, 2011.

Southern Shores – Effective June 1, 2011, the DEPSC approved a multi-year agreement for a phased-in base rate increase for Southern Shores. This increase was made as a result of capital investment in the upgrade and renovation of Southern Shores’ primary water treatment facilities, as well as by increased operating costs. Under the terms of the agreement, which expires on June 30, 2020, Southern Shores also increased rates on January 1, 2012, and will do so on each successive January 1st through 2015, to generate approximately \$0.1 million of additional revenue on an annual basis with each increase. Thereafter, rate increases, if any, cannot exceed the lesser of the regional Consumer Price Index or 3%.

In accordance with the tariff established for Southern Shores, a rate increase of 8.9% was implemented in January 2012.

Twin Lakes – In December 2011, Twin Lakes and the interveners in the Twin Lakes Rate Case reached a settlement that provided a \$0.1 million, three-year phased-in base rate increase for Twin Lakes. This increase was made as a result of capital investment in the upgrade and renovation of the Twin Lakes System, as well as by increased operating costs. The settlement was approved by the PAPUC in March 2012.

Outlook

Revenues for 2012 are expected to be favorably impacted by interim and final approved rate increases at Middlesex, Tidewater, TESI, Southern Shores and Twin Lakes. In addition, Pinelands Water and Pinelands Wastewater expect to file for rate increases in 2012. The rate increases that Middlesex, Tidewater, TESI, Twin Lakes, Pinelands Water and Pinelands Wastewater filed, or expect to file, have not been approved by each company’s respective Utility Commission. There can be no assurances that the requested rate increases will be approved in whole or in part or when the final decisions will be rendered.

Ongoing economic conditions continue to negatively impact our customers’ water consumption, particularly the level of water usage by our commercial and industrial customers in our Middlesex system. In the second half of 2010, we began to see an increase in usage by our commercial and industrial customers. However, we are unable to determine when these customers’ water demands may fully return to previous levels, or if a reduced level of demand will continue indefinitely. We were given appropriate recognition for a portion of this decrease in customer consumption in Middlesex’s March 2010 rate increase.

Revenues and earnings are influenced by weather. Overall customer water consumption decreased in 2011 due to less favorable weather as compared to 2010. Changes in usage patterns, as well as increases in capital expenditures and operating costs, are the primary factors in determining the need for rate increase requests. We continue to implement plans to streamline operations and reduce operating costs.

As a result of ongoing challenging economic conditions impacting the pace of new residential home construction, there may be an increase in the amount of PS&I costs that will not be currently recoverable in rates. If it is determined that recovery is unlikely, the applicable PS&I costs will be charged against income in the period of determination.

Changes in certain actuarial assumptions, including a lower discount rate and revised plan participant mortality factors, as well as a lower actual return in 2011 on assets held in our retirement plan funds resulted in a significant increase in our underfunded employee benefit plan obligation and will result in higher employee benefit plan expense and cash contributions in 2012. Tidewater and Middlesex have included these increased plan expenses in their rate increase applications currently under review by the respective Utility Commissions. See Note 7 of the Notes to Consolidated Financial Statements for further discussion of Employee Benefit Plans.

Operating Results by Segment

Our ability to increase operating income and net income is based significantly on four factors: weather, adequate and timely rate relief, effective cost management, and customer growth. These factors are evident in the discussions below which compare our results of operations from prior years.

The Company has two operating segments, Regulated and Non-Regulated. Our Regulated segment contributed approximately 90%, 90% and 88% of total revenues, and approximately 91%, 92% and 87% of net income for the years ended December 31, 2011, 2010 and 2009, respectively. The discussion of the Company's results of operations is on a consolidated basis, and includes significant factors by subsidiary. The segments in the tables included below are comprised of the following companies: Regulated- Middlesex, Tidewater, Pinelands, Southern Shores, TESI and Twin Lakes; Non-Regulated- USA, USA-PA, and White Marsh.

(Millions of Dollars)
Years ended December 31,

	2011			2010		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	\$ 91.5	\$ 10.6	\$ 102.1	\$ 92.0	\$ 10.7	\$ 102.7
Operations and maintenance	47.8	8.8	56.6	47.0	8.5	55.5
Depreciation	9.7	0.1	9.8	9.1	0.1	9.2
Other taxes	11.2	0.3	11.5	11.1	0.3	11.4
Operating income	\$ 22.8	\$ 1.4	\$ 24.2	\$ 24.8	\$ 1.8	\$ 26.6
Other income, net	1.2	0.9	2.1	1.1	0.3	1.4
Interest expense	6.3	0.1	6.4	6.8	0.1	6.9
Income taxes	5.5	1.0	6.5	6.0	0.8	6.8
Net income	\$ 12.2	\$ 1.2	\$ 13.4	\$ 13.1	\$ 1.2	\$ 14.3

Operating Revenues

Operating revenues for the year ended December 31, 2011 decreased \$0.6 million from the same period in 2010. This decrease was primarily related to the following factors:

- Middlesex System revenues decreased \$0.3 million, primarily due to the following:
 - Lower consumption by our residential and contract customers resulting from cooler temperatures and higher precipitation during the summer of 2011 as compared to 2010;
 - Decreased contract sales due to the ending of a temporary contract to supply water to the City of Perth Amboy in 2010; offset by
 - Increased sales to industrial customers;
- Tidewater System revenues decreased \$0.4 million, primarily due to the following:
 - Lower consumption attributable to similar unfavorable weather patterns experienced in the Middlesex System in 2011 as compared to 2010;
 - Lower connection fees resulting from a depressed housing market; offset by
 - Increased fixed service charges for new customers;
- White Marsh's revenues decreased \$0.2 million primarily due to the expiration of a wastewater operations contract in August 2011;
- With the transfer of USA's LineCare contracts to HomeServe, USA's revenues decreased \$0.2 million. USA now earns a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts;
- Scheduled increases in the fixed fees paid under contract with the City of Perth Amboy increased USA-PA's revenues by \$0.4 million; and
- Southern Shores revenues increased \$0.1 million due to the implementation of a June 2011 rate increase.

Operation and Maintenance Expense

Operation and maintenance expenses for the year ended December 31, 2011 increased \$1.1 million from the same period in 2010. This increase was primarily related to the following factors:

- Labor costs increased \$0.3 million due to annual wage increases and lower capitalized labor;
- Employee healthcare costs and postretirement benefit plan expenses increased \$1.1 million;
- Increased net costs of \$0.3 million from the implementation of a company wide information technology platform;
- Scheduled increases in subcontractor charges of \$0.3 million at our USA-PA subsidiary;
- Increased transportation charges of \$0.1 million due to higher average gasoline prices;
- Unfavorable weather resulted in lower consumption which decreased production costs by \$0.5 million;
- Decreased water main break costs of \$0.6 million, as we experienced less severe, and a lower number of, main breaks in 2011 as compared to 2010; and
- All other operating and maintenance expense categories increased \$0.1 million.

Depreciation

Depreciation expense for the year ended December 31, 2011 increased \$0.6 million from the same period in 2010 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the year ended December 31, 2011 increased \$0.1 million from the same period in 2010, primarily due to increased real estate taxes and higher payroll taxes on increased employee wages.

Interest Charges

Interest charges for the year ended December 31, 2011 decreased \$0.5 million from the same period in 2010, primarily due to the following:

- Lower average short term debt outstanding and lower average interest rates in 2011 as compared to 2010; and
- Lower average interest rates on long term debt outstanding in 2011 as compared to 2010.

Other Income, net

Other Income, net for the year ended December 31, 2011 increased \$0.7 million from the same period in 2010, primarily due to:

- A gain of \$0.7 million as a result of the sale of USA's LineCare contracts to HomeServe;
- Allowance for Funds Used During Construction was lower in 2011 compared to 2010 (\$0.2 million) due to lower average construction work in progress balances; and
- All additional Other Income increased \$0.2 million.

Income Taxes

Income taxes for the year ended December 31, 2011 decreased \$0.3 million from the same period in 2010, primarily due to lower pre-tax income.

Net Income and Earnings Per Share

Net income for the year ended December 31, 2011 decreased \$0.9 million, or 6.2%, from the same period in 2010. Basic and diluted earnings per share decreased to \$0.85 and \$0.84, respectively, for the year ended December 31, 2011 as compared to \$0.96 for the year ended December 31, 2010. In addition to the effect of the decrease in net income, earnings per share also decreased from a higher number of average shares outstanding in 2011 due to the Company's public offering of 1.9 million shares of common stock in June 2010.

Results of Operations in 2010 Compared to 2009(Millions of Dollars)
Years ended December 31,

	2010			2009		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	\$ 92.0	\$ 10.7	\$ 102.7	\$ 80.6	\$ 10.6	\$ 91.2
Operations and maintenance	47.0	8.5	55.5	44.2	8.1	52.3
Depreciation	9.1	0.1	9.2	8.4	0.1	8.5
Other taxes	11.1	0.3	11.4	9.9	0.3	10.2
Operating income	\$ 24.8	\$ 1.8	\$ 26.6	\$ 18.1	\$ 2.1	\$ 20.2
Other income, net	1.1	0.3	1.4	1.4	0.3	1.7
Interest expense	6.8	0.1	6.9	6.5	0.2	6.7
Income taxes	6.0	0.8	6.8	4.3	0.9	5.2
Net income	\$ 13.1	\$ 1.2	\$ 14.3	\$ 8.7	\$ 1.3	\$ 10.0

Operating Revenues

Operating revenues for the year ended December 31, 2010 increased \$11.5 million from the same period in 2009. This increase was primarily related to the following factors:

- Revenues in our Middlesex System increased \$8.5 million, primarily as a result of the following:
 - Contract Sales to Municipalities increased by \$2.6 million due to higher customer demand for water and the March 2010 rate increase;
 - Sales to General Metered Service (GMS) Customers increased by \$4.0 million from the implementation of the March 2010 base water rate increase (\$3.2 million) and increased customer demand for water (\$0.8 million). The increased demand primarily resulted from hot, dry weather in the summer months and an increase in demand by our commercial and industrial customers in the 3rd and 4th quarters of 2010, which mitigated decreased demand through the six months ended June 30, 2010. In 2009 and through the 2nd quarter of 2010, water consumption by our commercial and industrial customer class was below the historical average;
 - Facilities Charges increased by \$2.0 million from the March 2010 rate increase; and
 - All other revenue categories decreased \$0.1 million.
- Revenues in our Tidewater System increased \$2.7 million primarily from the following:
 - Higher demand by our GMS customers (\$1.5 million);
 - Increased base water rates that went into effect during 2009 (\$0.4 million);
 - A contract to temporarily provide water to Dover Air Force Base in Delaware (\$0.4 million);
 - New customer growth increased connection fees and facilities charges (\$0.5 million); and
 - All other revenue categories decreased \$0.1 million.
- Additional services provided by White Marsh under non-regulated contracts increased revenues by \$0.2 million.
- All other subsidiaries' revenues collectively increased \$0.1 million.

Operation and Maintenance Expense

Operation and maintenance expenses for the year ended December 31, 2010 increased \$3.2 million from the same period in 2009. This increase was primarily related to the following factors:

- Increased material and supply and outside contractor costs of \$0.8 million due to water main breaks in our Middlesex and Tidewater Systems;
- Increased purchased water costs of \$0.5 million in our Middlesex and Tidewater Systems, primarily from the aforementioned increased customer demand;
- Increased net costs of \$0.5 million from the implementation of a Company-wide information technology platform;
- Increased labor costs of \$0.9 million related to higher average labor rates and increased overtime related to higher water production and increased main breaks in our Middlesex and Tidewater Systems.
- Increased employee benefit costs of \$0.2 million primarily related to higher life insurance expenses resulting from market fluctuations in the cash surrender value of life insurance policies; and
- All other operation and maintenance expense categories collectively increased \$0.3 million.

Depreciation

Depreciation expense for the year ended December 31, 2010 increased \$0.7 million from the same period in 2009 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the year ended December 31, 2010 increased \$1.2 million from the same period in 2009, primarily due to increased gross receipts and franchise taxes on higher taxable revenues in our Middlesex System.

Other Income, net

Other Income, net for the year ended December 31, 2010 decreased \$0.3 million from the same period in 2009, primarily related to the following factors:

- Decreased Other Income of \$0.2 million, primarily related to the sale of a non-operating asset in the third quarter of 2009;
- Increased Other Expenses of \$0.2 million for certain costs related to potential projects at our Delaware subsidiaries; and
- All additional Other Income, net categories increased \$0.1 million.

Interest Charges

Interest charges for the year ended December 31, 2010 increased \$0.2 million from the same period in 2009, primarily from replacing variable-rate, short-term loans under our lines of credit with longer-term, fixed rate borrowings at higher interest rates.

Income Taxes

Income taxes for the year ended December 31, 2010 increased \$1.6 million from the same period in 2009, as a result of higher taxable income in 2010 as compared to 2009.

Net Income and Earnings Per Share

Favorable results for the year ended December 31, 2010 increased net income by \$4.3 million when compared to the same period in 2009. Basic and diluted earnings per share increased to \$0.96 for the year ended December 31, 2010 as compared to \$0.73 and \$0.72, respectively, for the year ended December 31, 2009. The increase in earnings per share for the year ended December 31, 2010 as compared to the same period in 2009 was tempered by an increase in the average number of common shares outstanding after the Company's public offering of 1.9 million shares of common stock in June 2010.

Liquidity and Capital Resources

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

For the year ended December 31, 2011, cash flows from operating activities decreased \$2.7 million to \$22.8 million. As described more fully in the Results of Operations section above, decreased earnings was the primary reason for the decrease in cash flow. The \$22.8 million of net cash flow from operations enabled us to fund approximately 97% of our utility plant expenditures internally for the period.

For the year ended December 31, 2010, cash flows from operating activities increased \$7.1 million to \$25.6 million. As described more fully in the Results of Operations section above, increased earnings was the primary reason for the increase in cash flow. The \$25.6 million of net cash flow from operations enabled us to fund approximately 86% of our utility plant expenditures internally for the period.

Increases in certain operating costs impact our liquidity and capital resources. Middlesex and several of its subsidiaries filed for rate increases in 2011 and January 2012. There can be no assurances however, that the respective Utility Commissions will approve the anticipated rate increase requests in whole or in part or when the decisions will be rendered. We continually monitor the need for timely rate filing to minimize the lag between the time we experience increased operating and capital costs and the time we receive appropriate rate relief.

Capital Expenditures and Commitments

To fund our capital program, we use internally generated funds, short term and long term debt borrowings, and when market conditions are favorable, proceeds from sales of common stock under our DRP and offerings to the public.

The table below summarizes our estimated capital expenditures for the years 2012-2014.

	(Millions)			
	2012	2013	2014	2012-2014
Distribution System	\$ 12.9	\$ 12.2	\$ 11.7	\$ 36.8
Production System	5.1	4.7	3.8	13.6
Computer Systems	2.6	0.1	0.1	2.8
Other	1.2	1.0	0.8	3.0
Total Estimated Capital Expenditures	\$ 21.8	\$ 18.0	\$ 16.4	\$ 56.2

Our estimated capital expenditures for the items listed above are primarily comprised of the following:

- **Distribution System**-Projects associated with installation and relocation of water mains and service lines, construction of water storage tanks, installation and replacement of hydrants and meters and our RENEW Program, which is our program to clean and cement unlined mains in the Middlesex System. In connection with our RENEW Program, we expect to spend \$4.0 million, \$4.0 million and \$4.0 million for 2012, 2013 and 2014, respectively.
- **Production System**-Projects associated with our water production and water treatment plants.
- **Computer Systems**-Purchase of hardware and software as well as expected costs to complete implementation of our enterprise resource planning system.
- **Other**-Purchase of vehicles and other transportation equipment, tools, furniture, laboratory equipment, security requirements and other general infrastructure needs.

The actual amount and timing of capital expenditures is dependent on customer growth, residential new home construction and sales and project scheduling.

To pay for our capital program in 2012, we plan on utilizing:

- Internally generated funds
- Proceeds from the sale of common stock through the DRP
- Funds available and held in trust under existing New Jersey State Revolving Fund (SRF) loans (currently, \$1.8 million) and Delaware SRF loans (currently, \$2.0 million) and, once the loan transaction is complete, proceeds from the 2012 New Jersey SRF program. SRF programs provide low cost financing for projects that meet certain water quality and system improvement benchmarks.
- Short-term borrowings, if necessary, through \$60.0 million of available lines of credit with several financial institutions. As of December 31, 2011, we had \$24.3 million outstanding against the lines of credit.

Sources of Liquidity

Short-term Debt. The Company had established lines of credit aggregating \$60.0 million as of December 31, 2011. At December 31, 2011, the outstanding borrowings under these credit lines were \$24.3 million at a weighted average interest rate of 1.33%.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were \$20.7 million and \$26.4 million at 1.44% and 1.58% for the years ended December 31, 2011 and 2010, respectively.

Long-term Debt. Subject to regulatory approval, the Company periodically finances capital projects under SRF loan programs in New Jersey and Delaware. These government programs provide financing at interest rates that are typically below rates available in the broader financial markets. A portion of the borrowings under the New Jersey SRF is interest-free. We participated in the New Jersey and Delaware SRF loan programs during 2011 and expect to participate in the 2012 New Jersey SRF program for up to \$4.0 million, with an expected closing date in May 2012.

In March 2011, Tidewater closed on a \$2.8 million loan with the Delaware SRF program which allows, but does not obligate, Tidewater to draw against a General Obligation Note for a specific project. The interest rate on any draw will be set at 3.75% with a final maturity of July 1, 2031 on the amount actually borrowed. As of December 31, 2011, Tidewater has borrowed \$2.0 million under this loan.

In March 2011, Southern Shores closed on a \$1.6 million loan with the Delaware SRF program, which allows, but does not obligate, Southern Shores to draw against a General Obligation Note for a specific project. The interest rate on any draw will be set at 3.75% with a final maturity of November 30, 2030 on the amount actually borrowed. As of December 31, 2011, Southern Shores has borrowed \$1.4 million under this loan.

In February 2010, Tidewater closed on a \$1.1 million loan with the Delaware SRF. This loan allows, but does not obligate, Tidewater to draw down against a General Obligation Note for a specific project. The interest rate on any draw-down will be set at 3.45% with a final maturity of August 1, 2031 on the amount actually borrowed. As of December 31, 2011, Tidewater has borrowed \$39 thousand under this loan.

In March 2009, Tidewater closed on a \$22.0 million DEPSC approved loan. In 2009, Tidewater borrowed \$12.0 million under this loan. In March 2010, Tidewater borrowed the remaining \$10.0 million at a rate of 5.69% with a final maturity in January 2030.

In December 2010, Middlesex issued \$4.0 million of first mortgage bonds through the New Jersey Environmental Infrastructure Trust under the New Jersey SRF program. The Company closed on the first mortgage bonds designated as Series MM and NN in December 2010. Proceeds from the Series MM and NN bonds are included in Restricted Cash and will be used for Middlesex's 2011 RENEW Program.

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

Common Stock. In June 2010, the Company sold and issued 1.9 million shares of common stock in a public offering that was priced at \$15.21 per share. The net proceeds of approximately \$27.8 million were used to repay certain of the Company's short-term debt outstanding.

The Company periodically issues shares of common stock in connection with its DRP. The Company raised \$1.5 million through the issuance of 0.1 million shares under the DRP during 2011.

Contractual Obligations

In the course of normal business activities, the Company enters into a variety of contractual obligations and commercial commitments. Some of these items result in direct obligations on the Company's balance sheet while others are commitments, some firm and some based on uncertainties, which are disclosed in the Company's other underlying consolidated financial statements.

The table below presents our known contractual obligations for the periods specified as of December 31, 2011.

	Payment Due by Period (Millions of Dollars)				
	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Long-term Debt	\$ 136.7	\$ 4.6	\$ 10.1	\$ 10.3	\$ 111.7
Notes Payable	24.3	24.3	-	-	-
Interest on Long-term Debt	89.6	6.6	12.6	11.7	58.7
Purchased Water Contracts	40.7	5.2	10.4	8.1	17.0
Wastewater Operations	36.8	4.9	10.1	10.7	11.1
Total	\$ 328.1	\$ 45.6	\$ 43.2	\$ 40.8	\$ 198.5

The table above does not reflect any anticipated cash payments for postretirement benefit plan obligations. The effect on the timing and amount of these payments resulting from potential changes in actuarial assumptions and returns on plan assets cannot be estimated. In 2011, the Company contributed \$6.9 million to its postretirement benefit plans and expects to contribute approximately \$8.9 million in 2012.

Critical Accounting Policies and Estimates

The application of accounting policies and standards often requires the use of estimates, assumptions and judgments. The Company regularly evaluates these estimates, assumptions and judgments, including those related to the calculation of pension and postretirement benefits, unbilled revenues, and the recoverability of certain assets, including regulatory assets. The Company bases its estimates, assumptions and judgments on historical experience and current operating environment. Changes in any of the variables that are used for the Company's estimates, assumptions and judgments may lead to significantly different financial statement results.

Our critical accounting policies are set forth below.

Regulatory Accounting

We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for approximately 90% of Operating Revenues and 98% of Total Assets, are subject to regulation in the states in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance in the Financial Accounting Standards Board Accounting Standards Codification Topic 980 *Regulated Operations* (Regulatory Accounting).

In accordance with Regulatory Accounting, costs and obligations are deferred if it is probable that these items will be recognized for rate-making purposes in future rates. Accordingly, we have recorded costs and obligations, which will be amortized over various future periods. Any change in the assessment of the probability of rate-making treatment will require us to change the accounting treatment of the deferred item. We have no reason to believe any of the deferred items that are recorded will be treated differently by the regulators in the future.

Revenues

Revenues from metered customers include amounts billed on a cycle basis and unbilled amounts estimated from the last meter reading date to the end of the accounting period. The estimated unbilled amounts are determined by utilizing factors which include historical consumption usage and current climate and economic conditions. Differences between estimated revenues and actual billings are recorded in a subsequent period.

Revenues from unmetered customers are billed at a fixed tariff rate in advance at the beginning of each service period and are recognized in revenue ratably over the service period.

Revenues from the Perth Amboy management contract are comprised of fixed and variable fees. Fixed fees, which have been set for the life of the contract, are billed monthly and recorded as earned. Variable fees, which are based on billings and other factors and are not material, are recorded upon approval of the amount by Perth Amboy.

Postretirement Benefit Plans

The costs for providing postretirement benefits are dependent upon numerous factors, including actual plan experience and assumptions of future experience. Future postretirement benefit plan obligations and expense will depend on future investment performance, changes in future discount rates and various other demographic factors related to the population participating in the Company's postretirement benefit plans, all of which can change significantly in future years.

We maintain a noncontributory defined benefit pension plan (Pension Plan) which covers substantially all employees who were hired prior to March 31, 2007. In addition, the Company maintains an unfunded supplemental plan for its executive officers.

The Company has a postretirement benefit plan other than pensions (Other Benefits Plan) for substantially all of its retired employees. Employees hired after March 31, 2007 are not eligible to participate in the Other Benefits Plan. Coverage includes healthcare and life insurance.

The allocation by asset category of postretirement benefit plan assets at December 31, 2011 and 2010 is as follows:

Asset Category	Pension Plan		Other Benefits Plan		Target	Range
	2011	2010	2011	2010		
Equity Securities	61.6%	64.0%	37.0%	42.3%	60%	30-65%
Debt Securities	31.3%	31.7%	57.8%	53.8%	38%	25-70%
Cash	6.9%	4.0%	4.6%	3.1%	2%	0-10%
Commodities	0.2%	0.3%	0.6%	0.8%	0%	0%
Total	100.0%	100.0%	100.0%	100.0%		

The discount rate, compensation increase rate and long-term rate of return utilized for determining our postretirement benefit plans' future obligations as of December 31, 2011 are as follows:

	Pension Plan	Other Benefits Plan
Discount Rate	4.37%	4.37%
Compensation Increase	3.00%	3.00%
Long-term Rate of Return	7.50%	7.50%

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For the 2011 valuation, costs and obligations for our Other Benefits Plan assumed a 9.0% annual rate of increase in the per capita cost of covered healthcare benefits in 2012 with a decline of 1.0% per year for 2013-2015 and 0.5% per year for 2016-2017, resulting in an annual rate of increase in the per capita cost of covered healthcare benefits of 5% by year 2017.

The following is a sensitivity analysis for certain actuarial assumptions used in determining projected benefit obligations (PBO) and expenses for our postretirement benefit plans:

Pension Plan

Actuarial Assumptions	Estimated Increase/ (Decrease) on PBO (000s)	Estimated Increase/ (Decrease) on Expense (000s)
Discount Rate 1% Increase	\$ (8,049)	\$ (582)
Discount Rate 1% Decrease	10,243	702

Other Benefits Plan

Actuarial Assumptions	Estimated Increase/ (Decrease) on PBO (000s)	Estimated Increase/ (Decrease) on Expense (000s)
Discount Rate 1% Increase	\$ (7,006)	\$ (534)
Discount Rate 1% Decrease	9,147	660
Healthcare Cost Trend Rate 1% Increase	7,948	886
Healthcare Cost Trend Rate 1% Decrease	(6,236)	(704)

The discount rates used at our December 31 measurement date for determining future postretirement benefit plans' obligations and costs are determined based on market rates for long-term, high-quality corporate bonds specific to our Pension Plan and Other Benefits Plan's asset allocation. The expected long-term rate of return for Pension Plan and Other Benefits Plan assets is determined based on historical returns and our asset allocation.

Recent Accounting Standards

See Note 1(n) of the Notes to Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Item 7A. Qualitative and Quantitative Disclosures About 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 final maturity dates ranging from 2018 to 2038. Over the next twelve months, approximately \$4.6 million of the current portion of 31 existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings, would not have a material effect on our earnings.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Middlesex Water Company

We have audited the accompanying consolidated balance sheets and consolidated statements of capital stock and long-term debt of Middlesex Water Company (the “Company”) as of December 31, 2011 and 2010, and the related consolidated statements of income, common stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Middlesex Water Company as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Middlesex Water Company’s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 8, 2012 expressed an unqualified opinion.

/s/ ParenteBeard LLC

Reading, Pennsylvania

March 8, 2012

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

ASSETS		December 31, 2011	December 31, 2010
UTILITY PLANT:	Water Production	\$ 127,827	\$ 118,919
	Transmission and Distribution	326,629	308,468
	General	47,519	44,368
	Construction Work in Progress	12,575	11,715
	TOTAL	514,550	483,470
	Less Accumulated Depreciation	92,351	84,737
	UTILITY PLANT - NET	422,199	398,733
CURRENT ASSETS:	Cash and Cash Equivalents	3,106	2,453
	Accounts Receivable, net	11,280	11,963
	Unbilled Revenues	4,842	4,752
	Materials and Supplies (at average cost)	2,023	2,196
	Prepayments	1,622	1,401
	TOTAL CURRENT ASSETS	22,873	22,765
DEFERRED CHARGES AND OTHER ASSETS:	Unamortized Debt Expense	2,611	2,739
	Preliminary Survey and Investigation Charges	5,179	7,023
	Regulatory Assets	67,302	38,771
	Operations and Developer Contracts Receivable	5,300	4,589
	Restricted Cash	3,260	7,056
	Non-utility Assets - Net	8,182	7,122
	Other	630	387
	TOTAL DEFERRED CHARGES AND OTHER ASSETS	92,464	67,687
	TOTAL ASSETS	\$ 537,536	\$ 489,185
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	\$ 141,432	\$ 139,534
	Retained Earnings	35,549	33,745
	TOTAL COMMON EQUITY	176,981	173,279
	Preferred Stock	3,353	3,362
	Long-term Debt	132,167	133,844
	TOTAL CAPITALIZATION	312,501	310,485
CURRENT LIABILITIES:	Current Portion of Long-term Debt	4,569	4,432
	Notes Payable	24,250	17,000
	Accounts Payable	5,706	6,403
	Accrued Taxes	7,847	8,752
	Accrued Interest	1,628	1,598
	Unearned Revenues and Advanced Service Fees	734	864
	Other	1,953	1,691
	TOTAL CURRENT LIABILITIES	46,687	40,740
COMMITMENTS AND CONTINGENT LIABILITIES (Note 4)			
DEFERRED CREDITS AND OTHER LIABILITIES:	Customer Advances for Construction	21,944	21,261
	Accumulated Deferred Investment Tax Credits	1,146	1,225
	Accumulated Deferred Income Taxes	37,022	29,691
	Employee Benefit Plans	51,006	28,562
	Regulatory Liability - Cost of Utility Plant Removal	8,029	7,369
	Other	995	154
	TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	120,142	88,262
CONTRIBUTIONS IN AID OF CONSTRUCTION		58,206	49,698
	TOTAL CAPITALIZATION AND LIABILITIES	\$ 537,536	\$ 489,185

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,		
	2011	2010	2009
Operating Revenues	\$ 102,069	\$ 102,735	\$ 91,243
Operating Expenses:			
Operations and Maintenance	56,634	55,481	52,348
Depreciation	9,746	9,244	8,559
Other Taxes	11,488	11,413	10,175
Total Operating Expenses	77,868	76,138	71,082
Operating Income	24,201	26,597	20,161
Other Income (Expense):			
Allowance for Funds Used During Construction	821	970	1,001
Other Income	1,523	912	1,011
Other Expense	(195)	(438)	(286)
Total Other Income, net	2,149	1,444	1,726
Interest Charges	6,376	6,925	6,750
Income before Income Taxes	19,974	21,116	15,137
Income Taxes	6,527	6,786	5,160
Net Income	13,447	14,330	9,977
Preferred Stock Dividend Requirements	206	207	208
Earnings Applicable to Common Stock	\$ 13,241	\$ 14,123	\$ 9,769
Earnings per share of Common Stock:			
Basic	\$ 0.85	\$ 0.96	\$ 0.73
Diluted	\$ 0.84	\$ 0.96	\$ 0.72
Average Number of Common Shares Outstanding :			
Basic	15,615	14,654	13,454
Diluted	15,877	14,916	13,716
Cash Dividends Paid per Common Share	\$ 0.733	\$ 0.723	\$ 0.713

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 13,447	\$ 14,330	\$ 9,977
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	10,432	9,958	9,217
Provision for Deferred Income Taxes and Investment Tax Credits	2,098	630	5,522
Equity Portion of Allowance for Funds Used During Construction (AFUDC)	(523)	(611)	(580)
Cash Surrender Value of Life Insurance	(92)	104	(387)
Stock Compensation Expense	394	323	386
Changes in Assets and Liabilities:			
Accounts Receivable	(28)	(2,222)	(1,112)
Unbilled Revenues	(90)	(328)	398
Materials & Supplies	173	(578)	(143)
Prepayments	(221)	(292)	372
Accounts Payable	(697)	2,055	(1,341)
Accrued Taxes	(905)	3,066	(2,096)
Accrued Interest	30	(263)	(192)
Employee Benefit Plans	(1,591)	(1,904)	(354)
Unearned Revenue & Advanced Service Fees	(130)	3	19
Other Assets and Liabilities	539	1,294	(1,180)
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,836	25,565	18,506
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures, Including AFUDC of \$299 in 2011, \$359 in 2010 and \$421 in 2009	(23,562)	(29,604)	(20,128)
Restricted Cash	3,796	(1,790)	456
Investment in Joint Venture	(300)	-	-
NET CASH USED IN INVESTING ACTIVITIES	(20,066)	(31,394)	(19,672)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	(4,427)	(4,314)	(18,244)
Proceeds from Issuance of Long-term Debt	3,447	13,970	12,014
Net Short-term Bank Borrowings	7,250	(25,850)	16,973
Deferred Debt Issuance Expense	(37)	(25)	(116)
Common Stock Issuance Expense	-	(133)	-
Restricted Cash	-	-	(25)
Repurchase of Preferred Stock	(9)	(11)	-
Proceeds from Issuance of Common Stock	1,504	29,845	1,251
Payment of Common Dividends	(11,437)	(10,510)	(9,582)
Payment of Preferred Dividends	(206)	(207)	(208)
Construction Advances and Contributions-Net	1,798	1,239	93
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(2,117)	4,004	2,156
NET CHANGES IN CASH AND CASH EQUIVALENTS	653	(1,825)	990
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,453	4,278	3,288
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,106	\$ 2,453	\$ 4,278
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:			
Utility Plant received as Construction Advances and Contributions	\$ 7,393	\$ 2,043	\$ 4,264
Long-term Debt Deobligation	\$ 560	\$ -	\$ 1,352
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:			
Cash Paid During the Year for:			
Interest	\$ 6,336	\$ 7,155	\$ 6,887
Interest Capitalized	\$ 299	\$ 359	\$ 421
Income Taxes	\$ 4,733	\$ 4,617	\$ 1,856

See Notes to Consolidated Financial Statements

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

	December 31, 2011	December 31, 2010
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares Outstanding - 2011 - 15,682	\$ 141,432	\$ 139,534
2010 - 15,566		
Retained Earnings		
	35,549	33,745
TOTAL COMMON EQUITY	\$ 176,981	\$ 173,279
Cumulative Preferred Stock, No Par Value:		
Shares Authorized - 134		
Shares Outstanding - 32		
Convertible:		
Shares Outstanding, \$7.00 Series - 14	1,457	1,457
Shares Outstanding, \$8.00 Series - 7	816	816
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1	80	89
Shares Outstanding, \$4.75 Series - 10	1,000	1,000
TOTAL PREFERRED STOCK	\$ 3,353	\$ 3,362
Long-term Debt:		
8.05%, Amortizing Secured Note, due December 20, 2021	\$ 2,319	\$ 2,456
6.25%, Amortizing Secured Note, due May 19, 2028	6,895	7,315
6.44%, Amortizing Secured Note, due August 25, 2030	5,227	5,507
6.46%, Amortizing Secured Note, due September 19, 2031	5,507	5,787
4.22%, State Revolving Trust Note, due December 31, 2022	546	585
3.30% to 3.60%, State Revolving Trust Note, due May 1, 2025	3,623	3,655
3.49%, State Revolving Trust Note, due January 25, 2027	633	664
4.03%, State Revolving Trust Note, due December 1, 2026	825	865
4.00% to 5.00%, State Revolving Trust Bond, due August 1, 2021	434	522
0.00%, State Revolving Fund Bond, due August 1, 2021	359	397
3.64%, State Revolving Trust Note, due July 1, 2028	364	387
3.64%, State Revolving Trust Note, due January 1, 2028	122	130
3.45%, State Revolving Trust Note, due August 1, 2031	39	17
6.59%, Amortizing Secured Note, due April 20, 2029	6,046	6,395
7.05%, Amortizing Secured Note, due January 20, 2030	4,521	4,771
5.69%, Amortizing Secured Note, due January 20, 2030	9,273	9,786
3.75%, State Revolving Trust Note, due July 1, 2031	2,021	-
3.75%, State Revolving Trust Note, due November 30, 2030	1,404	-
First Mortgage Bonds:		
5.20%, Series S, due October 1, 2022	12,000	12,000
5.25%, Series T, due October 1, 2023	6,500	6,500
5.25%, Series V, due February 1, 2029	10,000	10,000
5.35%, Series W, due February 1, 2038	23,000	23,000
0.00%, Series X, due September 1, 2018	375	430
4.25% to 4.63%, Series Y, due September 1, 2018	410	590
0.00%, Series Z, due September 1, 2019	894	1,007
5.25% to 5.75%, Series AA, due September 1, 2019	1,080	1,440
0.00%, Series BB, due September 1, 2021	1,206	1,328
4.00% to 5.00%, Series CC, due September 1, 2021	1,400	1,680
5.10%, Series DD, due January 1, 2032	6,000	6,000
0.00%, Series EE, due August 1, 2023	4,804	5,224
3.00% to 5.50%, Series FF, due August 1, 2024	6,160	6,555
0.00%, Series GG, due August 1, 2026	1,352	1,440
4.00% to 5.00%, Series HH, due August 1, 2026	1,640	1,715
0.00%, Series II, due August 1, 2024	1,150	1,239
3.40% to 5.00%, Series JJ, due August 1, 2027	1,560	1,625
0.00%, Series KK, due August 1, 2028	1,526	1,616
5.00% to 5.50%, Series LL, due August 1, 2028	1,635	1,695
0.00%, Series MM, due August 1, 2030	1,901	1,968
3.00% to 4.375%, Series NN, due August 1, 2030	1,985	1,985
SUBTOTAL LONG-TERM DEBT	136,736	138,276
Less: Current Portion of Long-term Debt	(4,569)	(4,432)
TOTAL LONG-TERM DEBT	\$ 132,167	\$ 133,844

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

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance at January 1, 2009	13,404	\$ 107,726	\$ 30,077	\$ 137,803
Net Income			9,977	9,977
Dividend Reinvestment & Common Stock Purchase Plan	84	1,254		1,254
Restricted Stock Award, Net - Employees	29	365		365
Stock Award - Board Of Directors	2	21		21
Cash Dividends on Common Stock			(9,582)	(9,582)
Cash Dividends on Preferred Stock			(208)	(208)
Other			1	1
Balance at December 31, 2009	<u>13,519</u>	<u>\$ 109,366</u>	<u>\$ 30,265</u>	<u>\$ 139,631</u>
Net Income			14,330	14,330
Dividend Reinvestment & Common Stock Purchase Plan	116	1,917		1,917
Restricted Stock Award, Net - Employees	14	299		299
Stock Award - Board Of Directors	2	24		24
Issuance of Common Stock	1,915	27,928		27,928
Cash Dividends on Common Stock			(10,510)	(10,510)
Cash Dividends on Preferred Stock			(207)	(207)
Common Stock Expenses			(133)	(133)
Balance at December 31, 2010	<u>15,566</u>	<u>\$ 139,534</u>	<u>\$ 33,745</u>	<u>\$ 173,279</u>
Net Income			13,447	13,447
Dividend Reinvestment & Common Stock Purchase Plan	82	1,504		1,504
Restricted Stock Award, Net - Employees	30	323		323
Stock Award - Board Of Directors	4	71		71
Cash Dividends on Common Stock			(11,437)	(11,437)
Cash Dividends on Preferred Stock			(206)	(206)
Balance at December 31, 2011	<u>15,682</u>	<u>\$ 141,432</u>	<u>\$ 35,549</u>	<u>\$ 176,981</u>

See Notes to Consolidated Financial Statements

Middlesex Water Company
Notes to Consolidated Financial Statements

Note 1 – Organization, Summary of Significant Accounting Policies and Recent Developments

(a) 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 Twin Lakes Utilities, Inc. (Twin Lakes). 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.

Middlesex Water Company has operated as a water utility in New Jersey since 1897, in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992 and in Pennsylvania, through our wholly-owned subsidiary, Twin Lakes, since 2009. 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. Our rates charged to customers for water and wastewater services, the quality of services we provide and certain other matters are regulated in New Jersey, Delaware and Pennsylvania by the New Jersey Board of Public Utilities (NJBPU), Delaware Public Service Commission (DEPSC) and Pennsylvania Public Utilities Commission (PAPUC), respectively. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

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

(b) System of Accounts – Middlesex, Pinelands Water and Pinelands Wastewater maintain their accounts in accordance with the Uniform System of Accounts prescribed by the NJBPU. Tidewater, TESI and Southern Shores maintain their accounts in accordance with DEPSC requirements. Twin Lakes maintains its accounts in accordance with PAPUC requirements.

(c) Utility Plant – Utility Plant is stated at original cost as defined for regulatory purposes. Property accounts are charged with the cost of betterments and major replacements of property. Cost includes direct material, labor and indirect charges for pension benefits and payroll taxes. The cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties is charged to the appropriate expense accounts. At December 31, 2011, there was no event or change in circumstance that would indicate that the carrying amount of any long-lived asset was not recoverable.

(d) Depreciation – Depreciation is computed by each regulated member of the Company utilizing a rate approved by the applicable regulatory authority. The Accumulated Provision for Depreciation is charged with the cost of property retired, less salvage. The following table sets forth the range of depreciation rates for

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the major utility plant categories used to calculate depreciation for the years ended December 31, 2011, 2010 and 2009. These rates have been approved by the NJBPU, DEPSC or PAPUC:

Source of Supply	1.15% - 3.44%	Transmission and Distribution (T&D):	
Pumping	2.87% - 5.39%	T&D – Mains	1.10% - 3.13%
Water Treatment	1.65% - 7.09%	T&D – Services	2.12% - 3.16%
General Plant	2.08% - 17.84%	T&D – Other	1.61% - 4.63%

Non-regulated fixed assets consist primarily of office buildings, furniture and fixtures, and transportation equipment. These assets are recorded at original cost and depreciation is calculated based on the estimated useful lives, ranging from 3 to 40 years.

(e) Preliminary Survey and Investigation (PS&I) Costs – In the design of water and wastewater systems that the Company ultimately intends to construct, own and operate certain expenditures are incurred to advance those project activities. These PS&I costs are recorded as deferred charges on the balance sheet because these costs are expected to be recovered through future rates charged to customers as the underlying projects are placed into service as utility plant. If it is subsequently determined that costs for a project recorded as PS&I are not recoverable through rates charged to our customers, the applicable PS&I costs are recorded as a charge to the income statement at that time.

(f) Customers' Advances for Construction (CAC) – Water utility plant and/or cash advances are contributed to the Company by customers, real estate developers and builders in order to extend water service to their properties. These contributions are recorded as CAC. Refunds on these advances are made by the Company in accordance with agreements with the contributing party and are based on either additional operating revenues related to the utility plant or as new customers are connected to and take service from the utility plant. After all refunds are made and/or contract terms have expired, any remaining balance is transferred to Contributions in Aid of Construction.

Contributions in Aid of Construction (CIAC) – CIAC include direct non-refundable contributions of water utility plant and/or cash and the portion of CAC that becomes non-refundable.

CAC and CIAC are not depreciated in accordance with regulatory requirements. In addition, these amounts reduce the investment base for purposes of setting rates.

(g) Allowance for Funds Used During Construction (AFUDC) - Middlesex and its regulated subsidiaries capitalize AFUDC, which represents the cost of financing projects during construction. AFUDC is added to the construction costs of individual projects exceeding specific cost and construction period thresholds established for each company and then depreciated along with the rest of the utility plant's costs over its estimated useful life. For the years ended December 31, 2011, 2010 and 2009, approximately \$0.8 million, \$1.0 million, and \$1.0 million, respectively of AFUDC was added to the cost of construction projects. AFUDC is calculated using each company's weighted cost of debt and equity as approved in their most recent respective regulatory rate order. The AFUDC rates for the years ended December 31, 2011, 2010 and 2009 for Middlesex and Tidewater are as follows:

	For The Year Ended December 31,		
	2011	2010	2009
Middlesex	7.54%	7.54%	7.65%
Tidewater	8.24%	8.24%	8.24%

(h) Accounts Receivable – We record bad debt expense based on historical write-offs combined with an evaluation of current conditions. The allowance for doubtful accounts was \$0.6 million and \$0.5 million at December 31, 2011 and 2010, respectively. Bad debt expense for the years ended December 31, 2011, 2010 and 2009 was \$0.7 million, \$0.6 million and \$0.6 million, respectively. Receivables not expected to be received in 2012 are included as non-current assets in Operations and Developer Contracts Receivable.

(i) Revenues - General metered customer's bills for regulated water service are typically comprised of two components; a fixed service charge and a volumetric or consumption charge. Revenues from general metered service water customers, except Tidewater fixed service charges, include amounts billed in arrears on a cycle basis and unbilled amounts estimated from the last meter reading date to the end of the accounting period. The estimated unbilled amounts are determined by utilizing factors which include historical consumption usage and current climate and economic conditions. Actual billings may differ from our estimates. Tidewater customers are billed in advance for their fixed service charge and these revenues are recognized as the service is provided to the customer.

Southern Shores is an unmetered system. Customers are billed a fixed service charge in advance at the beginning of each month and revenues are recognized as earned.

Revenues from the City of Perth Amboy management contract are comprised of fixed and variable fees. Fixed fees, which have been set for the life of the contract, are billed monthly and recorded as earned. Variable fees, which are not significant, are recorded upon approval of the amount by the City of Perth Amboy.

(j) Deferred Charges and Other Assets - Unamortized Debt Expense is amortized over the lives of the related issues. Restricted Cash represents proceeds from loans entered into through state financing programs and is held in trusts. The proceeds are restricted for specific capital expenditures and debt service requirements.

(k) Income Taxes - Middlesex files a consolidated federal income tax return for the Company and income taxes are allocated based on the separate return method. Investment tax credits have been deferred and are amortized over the estimated useful life of the related property. For more information on income taxes, see Note 3 – Income Taxes.

(l) Statements of Cash Flows - For purposes of reporting cash flows, the Company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Cash and cash equivalents represent bank balances and money market funds with investments maturing in less than 90 days.

(m) Use of Estimates - Conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

(n) Recent Accounting Pronouncements

Fair Value Measurements and Disclosures - In May 2011, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2011-04, which amends Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosure* (ASC 820), to update guidance related to fair value measurements and disclosures as a step towards achieving convergence between generally accepted accounting principles and international financial reporting standards. ASU 2011-04 clarifies intent about application of existing fair value measurements and disclosures, changes certain requirements for fair value measurements and requires expanded disclosures. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. Adoption of 2011-04 is not expected to have any impact on the Company's results of operations, cash flows or financial position.

In January 2010, the FASB issued ASU 2010-06, which amends ASC 820, to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. ASU 2010-06 also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, ASU 2010-06 amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715, *Compensation – Retirement Benefits* to require that disclosures be provided by classes of assets instead of by major categories of assets. Adoption of ASU 2010-06 had no impact on the Company's results of operations, cash flows or financial position.

(o) Regulatory Accounting - We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for 90% of Operating Revenues and 98% of Total Assets, are subject to regulation in the state in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance provided in ASC 980, *Regulated Operations*.

In accordance with ASC 980, *Regulated Operations*, costs and obligations are deferred if it is probable that these items will be recognized for rate-making purposes in future rates. Accordingly, we have recorded costs and obligations, which will be amortized over various future periods. Any change in the assessment of the probability of rate-making treatment will require us to change the accounting treatment of the deferred item. We have no reason to believe any of the deferred items that are recorded will be treated differently by the regulators in the future. For additional information, see Note 2 – Rate and Regulatory Matters.

(p) Postretirement Benefit Plans - We maintain a noncontributory defined benefit pension plan (Pension Plan) which covers substantially all active employees who were hired prior to March 31, 2007. In addition, the Company maintains an unfunded supplemental plan for its executive officers. The Company has a postretirement benefit plan other than pensions (Other Benefits Plan) for substantially all of its retired employees. Employees hired after March 31, 2007 are not eligible to participate in this plan. Coverage includes healthcare and life insurance.

The Company's costs for providing postretirement benefits are dependent upon numerous factors, including actual plan experience and assumptions of future experience. Postretirement benefit plan obligations and expense are determined based on investment performance, discount rates and various other demographic factors related to the population participating in the Company's postretirement benefit plans, all of which can change significantly in future years. For more information on the Company's Postretirement Benefit Plans, see Note 7 – Employee Benefit Plans.

(q) Recent Developments

Investment in Ridgewood Green RME, LLC - Middlesex and NSU Ridgewood, LLC, a wholly-owned subsidiary of Natural Systems Utilities, LLC, formed a joint venture, Ridgewood Green RME, LLC, (Ridgewood Green), which entered into a 20-year public-private partnership with the Village of Ridgewood, New Jersey (Ridgewood) whereby Ridgewood Green will design, build, own and operate facilities to optimize the production of electricity at Ridgewood's municipal wastewater treatment plant. Operation of the facilities is expected to begin in the fourth quarter of 2012.

Sunoco Logistics Partners L.P. Wastewater Treatment Facility Operating Agreement - USA has entered into an agreement with Sunoco Logistics Partners L.P. (Sunoco Logistics) to operate the Eagle Point Biological Wastewater Treatment Facility (Eagle Point) in Westville, New Jersey. USA will be responsible for the daily operation of the industrial wastewater treatment facility at Sunoco Logistics' refined products terminal at Eagle Point commencing in the first quarter of 2012.

Note 2 - Rate and Regulatory Matters*Rate Matters*

Middlesex - In January 2012, Middlesex filed an application with the NJBPU seeking permission to increase its base rates by approximately \$11.3 million per year. The request was made as a result of capital investments Middlesex has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request. A decision by the NJBPU is not expected until the fourth quarter of 2012.

In August 2011, Middlesex implemented a NJBPU approved Purchased Water Adjustment Clause (PWAC), which allows for the recovery of increased costs of \$0.4 million to purchase untreated water from the New Jersey Water Supply Authority (NJWSA) and treated water from a non-affiliated regulated water utility. It is expected that the PWAC rate will reset to zero as part of the ultimate decision rendered in the aforementioned Middlesex base rate increase request.

In March 2010, the NJBPU granted an increase in Middlesex's annual operating revenues of 13.57%, or \$7.8 million. The increase was necessitated by increased costs, as well as to provide a return on invested capital in rate base of \$180.3 million based on a return on equity of 10.30%.

Tidewater – In September 2011, Tidewater filed an application with the DEPSC seeking permission to increase its base rates by approximately \$6.9 million per year. The request was made as a result of capital investments Tidewater has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the DEPSC will ultimately approve, deny, or reduce the amount of the request. A decision by the DEPSC is not expected until the second half of 2012. In connection with the base rate increase request, Tidewater implemented a DEPSC approved 10.49% interim rate increase, subject to refund, on November 15, 2011.

A Distribution System Improvement Charge (DSIC) is a DEPSC approved rate-mechanism that allows water utilities to recover investment in non-revenue producing capital improvements to the water system between base rate proceedings. The following summarizes Tidewater's approved DSIC rates from January 1, 2011 through November 15, 2011, when Tidewater's DSIC was set to 0.0% in connection with the aforementioned 10.49% interim rate increase:

Date	January 1, 2011	July 1, 2011
% Increase	0.27%	0.64%
Cumulative %	1.34%	1.98%

In September 2009, the DEPSC approved an overall 14.95% or \$3.0 million increase in Tidewater's base rates. This rate increase approval is based on a 10.0% return on equity.

TESI – In July 2011, TESI filed an application with the DEPSC seeking permission to increase its base rates by approximately \$0.8 million per year. The request was made as a result of capital investments TESI has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the DEPSC will ultimately approve, deny, or reduce the amount of the request. A decision by the DEPSC is not expected until mid 2012. In connection with the base rate increase request, TESI implemented a DEPSC approved 7.6% interim rate increase, subject to refund, on September 28, 2011.

Southern Shores – Effective June 1, 2011, the DEPSC approved a multi-year agreement for a phased-in base rate increase for Southern Shores. This increase was made as a result of capital investment in the upgrade and renovation of Southern Shores’ primary water treatment facilities, as well as by increased operating costs. Under the terms of the agreement, which expires on June 30, 2020, Southern Shores also increased rates on January 1, 2012, and will do so on each successive January 1st through 2015, to generate approximately \$0.1 million of additional revenue on an annual basis with each increase. Thereafter, rate increases, if any, cannot exceed the lesser of the regional Consumer Price Index or 3%.

In accordance with the tariff established for Southern Shores, an annual rate increase of 8.9% was implemented in January 2012.

Twin Lakes – In December 2011, Twin Lakes and the interveners in the Twin Lakes Rate Case reached a settlement that provided a \$0.1 million, three-year phased-in base rate increase for Twin Lakes. This increase was made as a result of capital investment in the upgrade and renovation of the Twin Lakes System, as well as by increased operating costs. The settlement was approved by the PAPUC in March 2012.

Regulatory Matters

We have recorded certain costs as regulatory assets because we expect full recovery of, or are currently recovering, these costs in the rates we charge customers. These deferred costs have been excluded from rate base and, therefore, we are not earning a return on the unamortized balances. These items are detailed as follows:

Regulatory Assets	(Thousands of Dollars)		Remaining Recovery Periods
	December 31, 2011	December 31, 2010	
Postretirement Benefits	\$ 49,735	\$ 25,786	Various
Income Taxes	17,151	12,551	Various
Tank Painting, Rate Cases and Other	416	434	2-9 years
Total	<u>\$ 67,302</u>	<u>\$ 38,771</u>	

Postretirement benefits include pension and other postretirement benefits that have been recorded on the Consolidated Balance Sheet in accordance with the guidance provided in ASC 715, *Compensation – Retirement Benefits*. These amounts represent obligations in excess of current funding, which the Company believes will be fully recovered in rates set by the regulatory authorities.

The recovery period for income taxes is dependent upon when the temporary differences between the tax and book treatment of various items reverse.

The Company uses composite depreciation rates for its regulated utility assets, which is currently an acceptable method under generally accepted accounting principles and is widely used in the utility industry. Historically, under the composite depreciation method, the anticipated costs of removing assets upon retirement are provided for over the life of those assets as a component of depreciation expense. The Company recovers certain asset retirement costs through rates charged to customers as an approved component of depreciation expense. As of December 31, 2011 and 2010, the Company has approximately \$8.0 and \$7.4 million, respectively, of expected costs of removal recovered currently in rates in excess of actual costs incurred. These amounts are recorded as regulatory liabilities.

The Company is recovering in current rates acquisition premiums totaling \$0.7 million over the remaining lives of the underlying Utility Plant. These deferred costs have been included in rate base as utility plant and a return is being earned on the unamortized balances during the recovery periods. The Company expects to recover training costs of approximately \$0.8 million associated with implementation of a new information technology system in future rates. These costs are included in General Utility Plant.

Note 3 - Income Taxes

Income tax expense differs from the amount computed by applying the statutory rate on book income subject to tax for the following reasons:

	(Thousands of Dollars)		
	Years Ended December 31,		
	2011	2010	2009
Income Tax at Statutory Rate	\$ 6,816	\$ 7,224	\$ 5,147
Tax Effect of:			
Utility Plant Related	(620)	(826)	(247)
State Income Taxes – Net	305	336	339
Employee Benefits	1	33	(86)
Other	25	19	7
Total Income Tax Expense	\$ 6,527	\$ 6,786	\$ 5,160

Income tax expense is comprised of the following:

	(Thousands of Dollars)		
	Years Ended December 31,		
	2011	2010	2009
Current:			
Federal	\$ 3,550	\$ 5,584	\$ (208)
State	395	481	35
Deferred:			
Federal	2,594	770	4,933
State	67	30	479
Investment Tax Credits	(79)	(79)	(79)
Total Income Tax Expense	\$ 6,527	\$ 6,786	\$ 5,160

The statutory review periods for income tax returns for the years prior to 2009 have been closed. An examination by the Internal Revenue Service of Middlesex's Federal income tax returns for 2007 and 2008 was completed during 2010 and resulted in a net refund, including interest, of less than \$0.1 million. The refund noted above was recorded to the appropriate current and deferred tax accounts and the interest was reported as other income. In the event that there are interest and penalties associated with income tax adjustments in future examinations, these amounts will be reported under interest expense and other expense, respectively. There are no unrecognized tax benefits resulting from prior period tax positions. The Company is not aware of any uncertain tax positions that could result in a future tax liability.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax purposes. The components of the net deferred tax liability are as follows:

	(Thousands of Dollars)	
	December 31,	
	2011	2010
Utility Plant Related	\$ 35,135	\$ 32,010
Customer Advances	(3,737)	(3,840)
Employee Benefits	6,342	1,912
Investment Tax Credits (ITC)	1,146	1,225
Other	(718)	(391)
Total Deferred Tax Liability and ITC	\$ 38,168	\$ 30,916

Note 4 - Commitments and Contingent Liabilities

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

Middlesex also has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement, which expires February 27, 2016, provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

Purchased water costs are shown below:

	Years Ended December 31,		
	(Millions of Dollars)		
<u>Purchased Water</u>	2011	2010	2009
Untreated	\$ 2.4	\$ 2.5	\$ 2.4
Treated	2.7	2.9	2.6
Total Costs	\$ 5.1	\$ 5.4	\$ 5.0

Contract Operations - USA-PA operates the City of Perth Amboy, NJ's water and wastewater systems under a 20-year agreement, which expires in 2018. In connection with the agreement with Perth Amboy, USA-PA entered into a 20-year subcontract with a wastewater operating company for the operation and maintenance of the Perth Amboy wastewater collection system. The subcontract provides for the sharing of certain fixed and variable fees and operating expenses.

Construction –The Company may spend up to \$21.8 million in 2012, \$18.0 million in 2013 and \$16.4 million in 2014 on its construction program. The actual amount and timing of capital expenditures is dependent on customer growth, residential new home construction and sales and project scheduling. There is no assurance that projected customer growth and residential new home construction and sales will occur.

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

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

Note 5 – Short-term Borrowings

Information regarding the Company’s short-term borrowings for the years ended December 31, 2011 and 2010 is summarized below:

	(Millions of Dollars)	
	2011	2010
Established Lines at Year-End	\$ 60.0	\$ 58.0
Maximum Amount Outstanding	24.3	45.9
Average Outstanding	20.7	26.4
Notes Payable at Year-End	24.3	17.0
Weighted Average Interest Rate	1.44%	1.58%
Weighted Average Interest Rate at Year-End	1.33%	1.53%

The maturity dates for the Notes Payable as of December 31, 2011 are all in January 2012 and are extendable at the discretion of the Company.

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

Note 6 - Capitalization

All the transactions discussed below related to the issuance of securities were approved by either the NJBPU or DEPSC, except where otherwise noted.

Common Stock

In June 2010, the Company sold and issued 1.9 million shares of common stock in a public offering that was priced at \$15.21 per share. The net proceeds of approximately \$27.8 million were used to repay certain of the Company’s short-term debt outstanding.

The number of shares authorized under the Dividend Reinvestment and Common Stock Purchase Plan (DRP) is 2.3 million shares. The cumulative number of shares issued under the DRP at December 31, 2011, is 2.0 million.

The Company issues shares under a restricted stock plan for certain management employees, which is described in Note 7 – Employee Benefit Plans.

The Company maintains a stock plan for its outside directors (the Outside Director Stock Compensation Plan). In 2011, 3,833 shares of common stock were granted and issued to the Company’s outside directors under the Outside Director Stock Compensation Plan and 93,197 shares remain available for future awards. The maximum number of shares authorized for grant under the Outside Director Stock Compensation Plan is 100,000.

In the event dividends on the preferred stock are in arrears, no dividends may be declared or paid on the common stock of the Company. At December 31, 2011, no preferred stock dividends were in arrears.

Preferred Stock

If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock. At December 31, 2011 and 2010, there were less than 0.1 million shares of preferred stock authorized and outstanding and there were no dividends in arrears.

The Company may not pay any dividends on its common stock unless full cumulative dividends to the preceding dividend date for all outstanding shares of preferred stock have been paid or set aside for payment. All such preferred dividends have been paid. In addition, if Middlesex were to liquidate, holders of preferred stock would be paid back the stated value of their preferred shares before any distributions could be made to common stockholders.

The conversion feature of the no par \$7.00 Series Cumulative and Convertible Preferred Stock allows the security holders to exchange one convertible preferred share for twelve shares of the Company's common stock. In addition, the Company may redeem up to 10% of the outstanding convertible stock in any calendar year at a price equal to the fair market value of twelve shares of the Company's common stock for each share of convertible stock redeemed. In February 2011, the Company repurchased 93 shares of its \$7.00 Series, nonredeemable cumulative preferred stock at par value for approximately \$9 thousand.

The conversion feature of the no par \$8.00 Series Cumulative and Convertible Preferred Stock allows the security holders to exchange one convertible preferred share for 13.714 shares of the Company's common stock. The preferred shares are convertible into common stock at the election of the security holder or Middlesex.

Long-term Debt

In March 2011, Tidewater closed on a \$2.8 million loan with the Delaware SRF program which allows, but does not obligate, Tidewater to draw against a General Obligation Note for a specific project. The interest rate on any draw will be set at 3.75% with a final maturity of July 1, 2031 on the amount actually borrowed. As of December 31, 2011, Tidewater has borrowed \$2.0 million under this loan.

In March 2011, Southern Shores closed on a \$1.6 million loan with the Delaware SRF program, which allows, but does not obligate, Southern Shores to draw against a General Obligation Note for a specific project. The interest rate on any draw will be set at 3.75% with a final maturity of November 30, 2030 on the amount actually borrowed. As of December 31, 2011, Southern Shores has borrowed \$1.4 million under this loan.

In December 2010, Middlesex issued \$4.0 million of first mortgage bonds through the New Jersey Environmental Infrastructure Trust under the New Jersey SRF program. The Company closed on the first mortgage bonds designated as Series MM and NN in December 2010. Proceeds from the Series MM and NN bonds are included in Restricted Cash and will be used for Middlesex's 2011 RENEW Program.

In February 2010, Tidewater closed on a \$1.1 million loan with the Delaware SRF. This loan allows, but does not obligate, Tidewater to draw down against a General Obligation Note for a specific project. The interest rate on any draw-down will be set at 3.45% with a final maturity of August 1, 2031 on the amount actually borrowed. As of December 31, 2011, Tidewater has borrowed \$39 thousand under this loan.

In March 2009, Tidewater closed on a \$22.0 million DEPSC approved loan. In 2009, Tidewater borrowed \$12.0 million under this loan. In March 2010, Tidewater borrowed the remaining \$10.0 million at a rate of 5.69% with a final maturity in January 2030.

First Mortgage Bonds Series S through W and Series DD are term bonds with single maturity dates subsequent to 2015. Principal repayments for all series of the Company's long-term debt extend beyond 2016. The aggregate annual principal repayment obligations for all long-term debt over the next five years are shown below:

(Millions of Dollars)	
<u>Year</u>	<u>Annual Maturities</u>
2012	\$4.6
2013	\$5.0
2014	\$5.1
2015	\$5.1
2016	\$5.2

The weighted average interest rate on all long-term debt at both December 31, 2011 and 2010 was 5.13%. Except for the Amortizing Secured Notes, all of the Company's outstanding long-term debt has been issued through the New Jersey Economic Development Authority (\$57.5 million), the NJEIT program (\$29.9 million) and the Delaware SRF program (\$9.6 million).

Restricted cash includes proceeds from various New Jersey SRF loans. These funds are held in trusts and restricted for specific capital expenditures and debt service requirements. As discussed above, Series MM and NN proceeds can only be used for the applicable RENEW Program. All other bond issuance balances in restricted cash are for debt service requirements.

In 2011, the NJEIT deobligated \$560 thousand of principal payments on several Series of SRF long-term debt.

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

Earnings Per Share

The following table presents the calculation of basic and diluted earnings per share (EPS) for the three years ended December 31, 2011. Basic EPS is 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 \$8.00 Series.

	(In Thousands, Except per Share Amounts)					
	2011		2010		2009	
	Income	Shares	Income	Shares	Income	Shares
Basic:						
Net Income	\$ 13,447	15,615	\$ 14,330	14,654	\$ 9,977	13,454
Preferred Dividend	(206)		(207)		(208)	
Earnings Applicable to Common Stock	\$ 13,241	15,615	\$ 14,123	14,654	\$ 9,769	13,454
Basic EPS	\$ 0.85		\$ 0.96		\$ 0.73	
Diluted:						
Earnings Applicable to Common Stock	\$ 13,241	15,615	\$ 14,123	14,654	\$ 9,769	13,454
\$7.00 Series Dividend	97	166	97	166	97	166
\$8.00 Series Dividend	56	96	56	96	56	96
Adjusted Earnings Applicable to Common Stock	\$13,394	15,877	\$ 14,276	14,916	\$ 9,922	13,716
Diluted EPS	\$ 0.84		\$ 0.96		\$ 0.72	

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments for which it is practicable to estimate that value. The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, trade receivables, accounts payable and notes payable approximate their respective fair values due to the short-term maturities of these instruments. The fair value of the Company's long-term debt relating to First Mortgage and SRF bonds is based on quoted market prices for similar issues. The carrying amount and fair value of the Company's bonds were as follows:

	(Thousands of Dollars)			
	At December 31,			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
First Mortgage Bonds	\$ 86,577	\$ 87,283	\$ 89,037	\$ 85,405
State Revolving Bonds	\$ 793	\$ 799	\$ 919	\$ 937

For other long-term debt for which there was no quoted market price, it was not practicable to estimate their fair value. The carrying amount of these instruments was \$49.3 million and \$48.3 million at December 31, 2011 and 2010, respectively. Customer advances for construction have a carrying amount of \$21.9 million and \$21.3 million at December 31, 2011 and 2010 respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

Note 7 - Employee Benefit Plans*Pension Benefits*

The Company's Pension Plan covers substantially all active employees hired prior to March 31, 2007. Employees hired after March 31, 2007 are not eligible to participate in this plan, but can participate in a defined contribution plan that provides an annual contribution at the discretion of the Company, based upon a percentage of the participants' compensation. In order to be eligible for contribution, the eligible employee must be employed by the Company on December 31st of the year to which the award relates. In addition, the Company maintains an unfunded supplemental plan for its executive officers. The Accumulated Benefit Obligation for the Company's Pension Plan at December 31, 2011 and 2010 was \$46.5 million and \$33.8 million, respectively.

Other Benefits

The Company's Other Benefits Plan covers substantially all of its retired employees. Employees hired after March 31, 2007 are not eligible to participate in this plan. Coverage includes healthcare and life insurance. Accrued retirement benefit costs are recorded each year.

The Company has recognized a deferred regulatory asset relating to the difference between the accrued retirement benefit costs and actual cash paid for plan premiums in years prior to 1998. Included in the regulatory asset is a transition obligation from adopting Statement of Financial Accounting Standard No.106, "Employers' Accounting for Postretirement Benefits Other than Pensions," on January 1, 1993. In addition to the recognition of annual accrued retirement benefit costs in rates, Middlesex is also recovering the transition obligation over 15 years. The regulatory asset related to this transition obligation at December 31, 2011 and 2010 was \$0.1 million and \$0.2 million, respectively.

Regulatory Treatment of Over/Underfunded Retirement Obligations

Because the Company is subject to regulation in the states in which it operates, it is required to maintain its accounts in accordance with the regulatory authority's rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance of ASC 980, *Regulated Operations*. Based on prior regulatory practice, and in accordance with the guidance in ASC 980, *Regulated Operations*, the Company records underfunded Pension Plan and Other Benefits Plan obligations, which otherwise would be recognized as Other Comprehensive Income under ASC 715, *Compensation – Retirement Benefits*, as a Regulatory Asset, and expects to recover those costs in rates charged to customers.

The Company uses a December 31 measurement date for all of its employee benefit plans. The table below sets forth information relating to the Company's Pension Plan and Other Benefits Plan for 2011 and 2010.

	December 31, (Thousands of Dollars)			
	Pension Plan		Other Benefits Plan	
	2011	2010	2011	2010
Change in Projected Benefit Obligation:				
Beginning Balance	\$ 42,138	\$ 38,311	\$ 29,605	\$ 22,736
Service Cost	1,574	1,396	1,306	1,025
Interest Cost	2,261	2,228	1,604	1,335
Actuarial Loss	12,047	2,022	11,121	5,032
Benefits Paid	(1,819)	(1,819)	(515)	(523)
Ending Balance	\$ 56,201	\$ 42,138	\$ 43,121	\$ 29,605
Change in Fair Value of Plan Assets:				
Beginning Balance	\$ 29,989	\$ 25,298	\$ 12,890	\$ 9,680
Actual Return on Plan Assets	470	3,054	177	910
Employer Contributions	3,556	3,456	3,265	2,823
Benefits Paid	(1,819)	(1,819)	(515)	(523)
Ending Balance	\$ 32,196	\$ 29,989	\$ 15,817	\$ 12,890
Funded Status	\$ (24,005)	\$ (12,149)	\$ (27,304)	\$ (16,715)
Amounts Recognized in the Consolidated Balance Sheets consist of:				
Current Liability	(303)	(302)	-	-
Noncurrent Liability	(23,702)	(11,847)	(27,304)	(16,715)
Net Liability Recognized	\$ (24,005)	\$ (12,149)	\$ (27,304)	\$ (16,715)

	Years Ended December 31, (Thousands of Dollars)					
	2011	Pension Plan 2010	2009	2011	Other Benefits Plan 2010	2009
Components of Net Periodic Benefit Cost						
Service Cost	\$ 1,575	\$ 1,396	\$ 1,372	\$ 1,306	\$ 1,025	\$ 891
Interest Cost	2,261	2,228	2,101	1,604	1,335	1,086
Expected Return on Plan Assets	(2,283)	(2,020)	(1,602)	(1,026)	(759)	(595)
Amortization of Net Transition Obligation	-	-	-	135	135	135
Amortization of Net Actuarial Loss	565	506	615	878	531	493
Amortization of Prior Service Cost	10	10	10	-	-	-
Net Periodic Benefit Cost	\$ 2,128	\$ 2,120	\$ 2,496	\$ 2,897	\$ 2,267	\$ 2,010

Amounts that are expected to be amortized from Regulatory Assets into Net Periodic Benefit Cost in 2012 are as follows:

	(Thousands of Dollars)	
	Pension Plan	Other Benefits Plan
Actuarial Loss	\$ 1,549	\$ 1,765
Prior Service Cost	10	-
Transition Obligation	-	135

The discount rate and compensation increase rate for determining our postretirement benefit plans' benefit obligations and costs as of December 31, 2011, 2010 and 2009, respectively, are as follows:

	2011	Pension Plan 2010	2009	2011	Other Benefits Plan 2010	2009
Weighted Average Assumptions:						
Expected Return on Plan Assets	7.50%	7.50%	8.00%	7.50%	7.50%	7.50%
Discount Rate for:						
Benefit Obligation	4.37%	5.48%	5.95%	4.37%	5.48%	5.95%
Benefit Cost	5.48%	5.95%	6.17%	5.48%	5.95%	6.12%
Compensation Increase for:						
Benefit Obligation	3.00%	3.00%	3.50%	3.00%	3.00%	3.50%
Benefit Cost	3.00%	3.00%	3.50%	3.00%	3.00%	3.50%

The compensation increase assumption for the Other Benefits Plan is attributable to life insurance provided to qualifying employees upon their retirement. The insurance coverage will be determined based on the employee's base compensation as of their retirement date.

For the 2011 valuation, costs and obligations for our Other Benefits Plan assumed a 9.0% annual rate of increase in the per capita cost of covered healthcare benefits in 2012 with a decline of 1.0% per year for 2013-2015 and 0.5% per year for 2016-2017, resulting in an annual rate of increase in the per capita cost of covered healthcare benefits of 5% by year 2017.

A one-percentage point change in assumed healthcare cost trend rates would have the following effects on the Other Benefits Plan:

	(Thousands of Dollars)	
	Increase	Decrease
Effect on Current Year's Service and Interest Cost	\$ 555	\$ (437)
Effect on Projected Benefit Obligation	\$ 7,948	\$ (6,236)

The following benefit payments, which reflect expected future service, are expected to be paid:

Year	(Thousands of Dollars)	
	Pension Plan	Other Benefits Plan
2012	\$ 1,829	\$ 753
2013	1,913	904
2014	1,904	1,054
2015	1,904	1,196
2016	1,955	1,339
2017-2021	12,024	8,905
Totals	<u>\$ 21,529</u>	<u>\$ 14,151</u>

Benefit Plans Assets

The allocation of plan assets at December 31, 2011 and 2010 by asset category is as follows:

Asset Category	Pension Plan		Other Benefits Plan		Target	Range
	2011	2010	2011	2010		
Equity Securities	61.6%	64.0%	37.0%	42.3%	60%	30-65%
Debt Securities	31.3%	31.7%	57.8%	53.8%	38%	25-70%
Cash	6.9%	4.0%	4.6%	3.1%	2%	0-10%
Commodities	0.2%	0.3%	0.6%	0.8%	0%	0%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		

Two outside investment firms each manage a portion of the Pension Plan asset portfolio. One of those investment firms also manages the Other Benefits Plan asset portfolio. Quarterly meetings are held between the Company's Pension Committee of the Board of Directors and the investment managers to review their performance and asset allocation. If the actual asset allocation is outside the targeted range, the Pension Committee reviews current market conditions and advice provided by the investment managers to determine the appropriateness of rebalancing the portfolio.

The objective of the Company is to maximize the long-term return on retirement plan assets, relative to a reasonable level of risk, maintain a diversified investment portfolio and maintain compliance with the Employee Retirement Income Security Act of 1974. The expected long-term rate of return is based on the various asset categories in which plan assets are invested and the current expectations and historical performance for these categories.

Equity securities include Middlesex common stock in the amounts of \$0.7 million (2.3% of total plan assets) and \$0.7 million (2.4 % of total pension plan assets) at December 31, 2011 and 2010, respectively.

Fair Value Measurements

Accounting guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in accessible active markets.
- Level 2 – Inputs to the valuation methodology that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Certain investments in cash and cash equivalents, equity securities, and commodities are valued based on quoted market prices in active markets and are classified as Level 1 investments. Certain investments in cash and cash equivalents, equity securities and fixed income securities are valued using prices received from pricing vendors that utilize observable inputs and are therefore classified as Level 2 investments.

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The following table presents Middlesex's Pension Plan assets measured and recorded at fair value within the fair value hierarchy as of December 31, 2011 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Common Trust-Large Cap	\$ -	\$ 7,641	\$ -	\$ 7,641
Mutual Funds:				
Mid Cap Growth	655	-	-	655
Mid Cap Value	356	-	-	356
Foreign Small Mid Growth	214	-	-	214
Foreign Large Core	97	-	-	97
Foreign Large Blend	586	-	-	586
Diversified Emerging Markets	281	-	-	281
Preferred Stock Index	74	-	-	74
Money Market Funds:				
Cash	1,389	1,281	-	2,670
Equity Securities:				
Non-Financial Services	189	-	-	189
Financial Services	1,289	-	-	1,289
Utilities	1,629	-	-	1,629
Consumer Growth	1,685	-	-	1,685
Consumer Staples	956	-	-	956
Consumer Cyclicals	853	-	-	853
Industrial Resources	159	-	-	159
Capital Equipment	651	-	-	651
Technology	1,345	-	-	1,345
Energy	1,160	-	-	1,160
Other	40	-	-	40
Corporate Bonds	-	2,324	-	2,324
Mortgage-Backed Securities ⁽¹⁾	-	2,527	-	2,527
Asset-Backed Securities ⁽¹⁾	-	27	-	27
Agency/US/State/Municipal Debt	129	4,532	-	4,661
Sovereign/Non-US Debt	-	75	-	75
Commodities	52	-	-	52
Total Investments	\$ 13,789	\$ 18,407	\$ -	\$ 32,196

(1) Mortgage-backed securities represent AAA rated securities and substantially all of the asset-backed securities are highly-rated (Standard & Poor's rating of AA+), secured primarily by credit card, auto loan and home equity receivables

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The following table presents Middlesex's Pension Plan assets measured and recorded at fair value within the fair value hierarchy as of December 31, 2010 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Common Trust Fund-Large Cap	\$ -	\$ 6,844	\$ -	\$ 6,844
Mutual Funds:				
Mid Cap Growth	717	-	-	717
Mid Cap Value	374	-	-	374
Foreign Small Mid Growth	255	-	-	255
Foreign Large Blend	599	-	-	599
Foreign Large Core	114	-	-	114
Foreign Large Growth	207	-	-	207
Diversified Emerging Markets	398	-	-	398
Preferred Stock Index	80	-	-	80
Money Market Funds:				
Cash	553	643	-	1,196
Equity Securities:				
Non-Financial Services	209	-	-	209
Financial Services	976	-	-	976
Utilities	1,555	-	-	1,555
Consumer Growth	1,447	-	-	1,447
Consumer Staples	937	-	-	937
Consumer Cyclicals	998	-	-	998
Industrial Resources	498	-	-	498
Capital Equipment	729	-	-	729
Technology	1,188	-	-	1,188
Energy	1,033	-	-	1,033
Other	25	-	-	25
Corporate Bonds	-	2,915	-	2,915
Mortgage-Backed Securities (1)	-	2,323	-	2,323
Asset-Backed Securities (1)	-	93	-	93
Agency/US/State/Municipal Debt	129	3,864	-	3,993
Sovereign/Non-US Debt	-	191	-	191
Commodities	95	-	-	95
Total Investments	\$ 13,116	\$ 16,873	\$ -	\$ 29,989

(1) Mortgage-backed securities represent AAA rated securities and substantially all of the asset-backed securities are highly-rated (Standard & Poor's rating of AA+), secured primarily by credit card, auto loan, and home equity receivables

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The following table presents Middlesex's Other Benefits Plan assets measured and recorded at fair value within the fair value hierarchy as of December 31, 2011 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Small Cap Core	\$ 90	\$ -	\$ -	\$ 90
Mid Cap Core	48	-	-	48
Mid Cap Growth	253	-	-	253
Mid Cap Value	288	-	-	288
Large Cap Core	3,406	-	-	3,406
Large Cap Growth	398	-	-	398
Large Cap Value	349	-	-	349
Foreign Small Mid Growth	225	-	-	225
Foreign Large Core	279	-	-	279
Foreign Large Growth	247	-	-	247
Diversified Emerging Markets	163	-	-	163
Preferred Stock Index	107	-	-	107
Money Market Funds:				
Cash	-	818	-	818
Agency/US/State/Municipal Debt	424	8,622	-	9,046
Commodities	100	-	-	100
Total Investments	\$ 6,377	\$ 9,440	\$ -	\$ 15,817

The following table presents Middlesex's Other Benefits Plan assets measured and recorded at fair value within the fair value hierarchy as of December 31, 2010 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Small Cap Core	\$ 95	\$ -	\$ -	\$ 95
Mid Cap Growth	277	-	-	277
Mid Cap Value	259	-	-	259
Large Cap Core	3,002	-	-	3,002
Large Cap Growth	365	-	-	365
Large Cap Value	298	-	-	298
Foreign Small Mid Growth	246	-	-	246
Foreign Large Core	276	-	-	276
Foreign Large Growth	306	-	-	306
Diversified Emerging Markets	217	-	-	217
Preferred Stock Index	116	-	-	116
Money Market Funds:				
Cash	-	399	-	399
Agency/US/State/Municipal Debt	765	6,170	-	6,935
Commodities	99	-	-	99
Total Investments	\$ 6,321	\$ 6,569	\$ -	\$ 12,890

Benefit Plans Contributions

For the Pension Plan, Middlesex made total cash contributions of \$3.6 million in 2011 and expects to make cash contributions of approximately \$4.1 million in 2012.

For the Other Benefits Plan, Middlesex made total cash contributions of \$3.3 million in 2011 and expects to make contributions of approximately \$4.8 million in 2012.

401(k) Plan

The Company has a 401(k) defined contribution plan, which covers substantially all employees with more than 1,000 hours of service. Under the terms of the Plan, the Company matches 100% of a participant's contributions, which do not exceed 1% of a participant's compensation, plus 50% of a participant's contributions exceeding 1%, but not more than 6%. The Company's matching contributions were \$0.5 million for each of the years ended December 31, 2011, 2010 and 2009.

For those employees hired after March 31, 2007 and still employed on December 31, 2011, the Company approved and will fund discretionary contribution of \$0.2 million, which was based on 5.0% of eligible 2011 compensation. For the years ended December 31, 2010 and 2009, the Company made discretionary contributions of \$0.2 million and \$0.1 million, respectively, for those employees hired after March 31, 2007.

Stock-Based Compensation

The Company has a stock compensation plan for certain management employees (the 2008 Restricted Stock Plan). The Company maintains an escrow account for 0.1 million shares of the Company's common stock for the 2008 Restricted Stock Plan. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the award other than as a result of retirement, death, disability or change in control. The maximum number of shares authorized for grant under the 2008 Restricted Stock Plan is 0.3 million shares, for which 0.2 million remain as unissued shares.

The Company recognizes compensation expense at fair value for the restricted stock awards in accordance with ASC 718, *Compensation – Stock Compensation*. Compensation expense is determined by the market value of the stock on the date of the award and is being amortized over a five-year period.

The following table presents information on the 2008 Restricted Stock Plan:

	Shares (thousands)	Unearned Compensation (thousands)	Weighted Average Grant Price
Balance, January 1, 2009	81	\$ 928	
Granted	30	448	\$ 15.11
Vested	(17)	-	
Forfeited	(1)	(6)	
Amortization of Compensation Expense	-	(380)	
Balance, December 31, 2009	93	\$ 990	
Granted	14	239	\$ 16.97
Vested	(13)	-	
Forfeited	-	-	
Amortization of Compensation Expense	-	(338)	
Balance, December 31, 2010	94	\$ 891	
Granted	30	518	\$ 16.97
Vested	(15)	-	
Forfeited	(1)	(7)	
Amortization of Compensation Expense	-	(323)	
Balance, December 31, 2011	108	\$ 1,079	

The fair value of vested restricted shares was \$0.2 million for each of the years ended December 31, 2011, 2010 and 2009.

Note 8 – 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, Delaware and Pennsylvania. This segment also includes regulated wastewater systems in New Jersey and Delaware. The Company is subject to regulations as to its rates, services and other matters by the states of New Jersey, Delaware and Pennsylvania with respect to utility service within these states. The other segment is primarily comprised of non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware.

Inter-segment transactions relating to operational costs are treated as pass-through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender.

Operations by Segments:	(Thousands of Dollars)		
	2011	2010	2009
Revenues:			
Regulated	\$ 91,729	\$ 92,378	\$ 80,910
Non – Regulated	10,805	10,937	10,857
Inter-segment Elimination	(465)	(580)	(524)
Consolidated Revenues	\$ 102,069	\$ 102,735	\$ 91,243
Operating Income:			
Regulated	\$ 22,760	\$ 24,815	\$ 18,117
Non – Regulated	1,441	1,782	2,044
Consolidated Operating Income	\$ 24,201	\$ 26,597	\$ 20,161
Depreciation:			
Regulated	\$ 9,601	\$ 9,093	\$ 8,401
Non – Regulated	145	151	158
Consolidated Depreciation	\$ 9,746	\$ 9,244	\$ 8,559
Other Income, Net:			
Regulated	\$ 1,982	\$ 1,265	\$ 1,565
Non – Regulated	896	313	337
Inter-segment Elimination	(729)	(134)	(176)
Consolidated Other Income, Net	\$ 2,149	\$ 1,444	\$ 1,726
Interest Expense:			
Regulated	\$ 6,376	\$ 6,925	\$ 6,733
Non – Regulated	97	134	193
Inter-segment Elimination	(97)	(134)	(176)
Consolidated Interest Charges	\$ 6,376	\$ 6,925	\$ 6,750
Net Income:			
Regulated	\$ 12,088	\$ 13,152	\$ 8,652
Non – Regulated	1,359	1,178	1,325
Consolidated Net Income	\$ 13,447	\$ 14,330	\$ 9,977
Capital Expenditures:			
Regulated	\$ 23,125	\$ 29,344	\$ 20,104
Non – Regulated	437	260	24
Total Capital Expenditures	\$ 23,562	\$ 29,604	\$ 20,128
Assets:			
	As of	As of	
	December 31, 2011	December 31, 2010	
Regulated	\$ 539,947	\$ 486,918	
Non – Regulated	10,325	8,116	
Inter-segment Elimination	(12,736)	(5,849)	
Consolidated Assets	\$ 537,536	\$ 489,185	

Note 9 - Quarterly Operating Results - Unaudited

Operating results for each quarter of 2011 and 2010 are as follows:

2011	(Thousands of Dollars, Except per Share Data)					Total
	1 st	2 nd	3 rd	4 th		
Operating Revenues	\$ 23,996	\$ 26,102	\$ 28,671	\$ 23,300	\$ 102,069	
Operating Income	4,768	6,738	8,516	4,179	24,201	
Net Income	2,630	3,625	5,143	2,049	13,447	
Basic Earnings per Share	\$ 0.17	\$ 0.23	\$ 0.33	\$ 0.12	\$ 0.85	
Diluted Earnings per Share	\$ 0.17	\$ 0.23	\$ 0.32	\$ 0.12	\$ 0.84	

2010	1 st	2 nd	3 rd	4 th	Total
Operating Revenues	\$ 21,645	\$ 26,538	\$ 29,585	\$ 24,967	\$ 102,735
Operating Income	3,288	7,894	10,021	5,394	26,597
Net Income	1,560	4,424	5,736	2,610	14,330
Basic Earnings per Share	\$ 0.11	\$ 0.31	\$ 0.37	\$ 0.17	\$ 0.96
Diluted Earnings per Share	\$ 0.11	\$ 0.31	\$ 0.37	\$ 0.17	\$ 0.96

The information above, in the opinion of the Company, includes all adjustments consisting only of normal recurring accruals necessary for a fair presentation of such amounts. The business of the Company is subject to seasonal fluctuation with the peak period usually occurring during the summer months. The quarterly earnings per share amounts above may differ from previous filings due to the effects of rounding.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

(1) 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.

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 for the quarter ended December 31, 2011. Based upon that evaluation the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded:

(a) Disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) No changes in internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Accordingly, management believes the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

(2) Management's Report on Internal Control Over Financial Reporting

The management of Middlesex Water Company (Middlesex or the Company) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13A-15(f) and 15d-15(f). Middlesex's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors of adequate preparation and fair presentation of the published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the adequacy of financial statement preparation and presentation. Middlesex's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on our assessment, we believe that as of December 31, 2011, the Company's internal control over financial reporting is operating as designed and is effective based on those criteria.

Middlesex's independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2011 as stated in their report which is included herein.

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

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

Iselin, New Jersey
March 8, 2012

(3) Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Middlesex Water Company

We have audited Middlesex Water Company's (the "Company") internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Middlesex Water Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Middlesex Water Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and consolidated statements of capital stock and long-term debt and the related consolidated statements of income, common stockholders' equity, and cash flows of Middlesex Water Company and our report dated March 8, 2012 expressed an unqualified opinion.

/s/ ParenteBeard LLC

Reading, Pennsylvania
March 8, 2012

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information with respect to Directors of Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2012 Annual Meeting of Stockholders and is incorporated herein by reference.

Information regarding the Executive Officers of Middlesex Water Company is included under Item 1. in Part I of this Annual Report.

Item 11. Executive Compensation.

This Information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2012 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2012 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2012 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2012 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. The following Financial Statements and Supplementary Data are included in Part II- Item 8. of this Annual Report:

Consolidated Balance Sheets at December 31, 2011 and 2010.

Consolidated Statements of Income for each of the three years in the period ended December 31, 2011.

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2011.

Consolidated Statements of Capital Stock and Long-term Debt at December 31, 2011 and 2010.

Consolidated Statements of Common Stockholders' Equity for each of the three years in the period ended December 31, 2011.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

All Schedules are omitted because of the absence of the conditions under which they are required or because the required information is shown in the financial statements or notes thereto.

3. Exhibits

See Exhibit listing immediately following the signature page.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MIDDLESEX WATER COMPANY

By: /s/ Dennis W. Doll
Dennis W. Doll
President and Chief Executive Officer

Date: March 8, 2012

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the registrant and in the capacities indicated on March 8, 2012.

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

By: /s/ Dennis W. Doll
Dennis W. Doll
Chairman of the Board, President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ James F. Cosgrove Jr.
James F. Cosgrove Jr.
Director

By: /s/ John C. Cutting
John C. Cutting
Director

By: /s/ Steven M. Klein
Steven M. Klein
Director

By: /s/ Amy B. Mansue
Amy B. Mansue
Director

By: /s/ John R. Middleton, M.D.
John R. Middleton, M.D.
Director

By: /s/ Walter G. Reinhard
Walter G. Reinhard
Director

By: /s/ Jeffries Shein
Jeffries Shein
Director

EXHIBIT INDEX

Exhibits designated with an asterisk (*) are filed herewith. The exhibits not so designated have heretofore been filed with the Commission and are incorporated herein by reference to the documents indicated in the previous filing columns following the description of such exhibits. Exhibits designated with a dagger (†) are management contracts or compensatory plans.

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
3.1	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on June 19, 1997, included as Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 30, 2010.		
3.2	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on May 27, 1998, filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.		
3.3	Certificate of Correction of Middlesex Water Company filed with the State of New Jersey on April 30, 1999, filed as Exhibit 3.3 of 2003 Form 10-K/A-2.		
3.4	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on February 17, 2000, filed as Exhibit 3.4 of 2003 Form 10-K/A-2.		
3.5	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on June 5, 2002, filed as Exhibit 3.5 of 2003 Form 10-K/A-2.		
3.6	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on June 10, 1998, filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.		
3.7	Bylaws of the Company, as amended, filed as Exhibit 4.1 of 2010 Second Quarter Form 10-Q.		
4.1	Form of Common Stock Certificate.	2-55058	2(a)
10.1	Copy of Purchased Water Agreement between the Company and Elizabethtown Water Company, filed as Exhibit 10 of 2006 First Quarter Form 10-Q.		
10.2	Copy of Mortgage, dated April 1, 1927, between the Company and Union County Trust Company, as Trustee, as supplemented by Supplemental Indentures, dated as of October 1, 1939 and April 1, 1949.	2-15795	4(a)-4(f)
10.3	Copy of Supplemental Indenture, dated as of July 1, 1964 and June 15, 1991, between the Company and Union County Trust Company, as Trustee.	33-54922	10.4-10.9
10.4	Copy of Supply Agreement, dated as of July 27, 2011, between the Company and the Old Bridge Municipal Utilities Authority filed as Exhibit No. 10.4 of 2011 Third Quarter Form 10-Q.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.5	Copy of Supply Agreement, dated as of July 14, 1987, between the Company and the Marlboro Township Municipal Utilities Authority, as amended.	33-31476	10.13
10.6	Copy of Supply Agreement, dated as of February 11, 1988, with modifications dated February 25, 1992, and April 20, 1994, between the Company and the Borough of Sayreville filed as Exhibit No. 10.11 of 1994 First Quarter Form 10-Q.		
10.7	Copy of Water Purchase Contract, dated as of September 25, 2003, between the Company and the New Jersey Water Supply Authority, filed as Exhibit No. 10.7 of 2003 Form 10-K.		
10.8	Copy of Treating and Pumping Agreement, dated April 9, 1984, between the Company and the Township of East Brunswick.	33-31476	10.17
10.9	Copy of Supply Agreement, dated June 4, 1990, between the Company and Edison Township.	33-54922	10.24
10.10	Copy of amended Supply Agreement, between the Company and the Borough of Highland Park, filed as Exhibit No. 10.1 of 2006 First Quarter Form 10-Q.		
(t)10.11	Copy of Supplemental Executive Retirement Plan, filed as Exhibit 10.13 of 1999 Third Quarter Form 10-Q.		
(t)10.12(a)	Copy of 2008 Restricted Stock Plan, filed as Appendix A to the Company's Definitive Proxy Statement, dated and filed April 11, 2008.		
(t)10.12(b)	Copy of 2008 Outside Director Stock Compensation Stock Plan, filed as Appendix B to the Company's Definitive Proxy Statement, dated and filed April 11, 2008.		
(t)10.13(a)	Change in Control Termination Agreement between Middlesex Water Company and Dennis W. Doll, filed as Exhibit 10.13(a) of the 2008 Form 10-K.		
(t)10.13(b)	Change in Control Termination Agreement between Middlesex Water Company and A. Bruce O'Connor, filed as Exhibit 10.13(b) of the 2008 Form 10-K.		
(t)10.13(c)	Change in Control Termination Agreement between Middlesex Water Company and Richard M. Risoldi, filed as Exhibit 10.13(d) of the 2008 Form 10-K.		
(t)10.13(d)	Change in Control Termination Agreement between Middlesex Water Company and Kenneth J. Quinn, filed as Exhibit 10.13(e) of the 2008 Form 10-K.		
*(t)10.13(e)	Change in Control Termination Agreement between Middlesex Water Company and Lorrie B. Ginegaw.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
(t)10.13(f)	Change in Control Termination Agreement between Tidewater Utilities, Inc. and Gerard L. Esposito, filed as Exhibit 10.13(g) of the 2008 Form 10-K.		
(t)10.13(g)	Change in Control Termination Agreement between Middlesex Water Company and Bernadette M. Sohler, filed as Exhibit 10.13(h) of the 2008 Form 10-K.		
10.14	Copy of Transmission Agreement, dated October 16, 1992, between the Company and the Township of East Brunswick.	33-54922	10.23
10.15	Copy of Supplemental Indentures, dated September 1, 1993, (Series S & T) and January 1, 1994, (Series V), between the Company and United Counties Trust Company, as Trustee, filed as Exhibit No. 10.22 of 1993 Form 10-K.		
10.16	Copy of Trust Indentures, dated September 1, 1993, (Series S & T) and January 1, 1994, (Series V), between the New Jersey Economic Development Authority and First Fidelity Bank (Series S & T), as Trustee, and Midlantic National Bank (Series V), as Trustee, filed as Exhibit No. 10.23 of 1993 Form 10-K.		
10.17	Copy of Supplemental Indenture dated October 15, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Loan Agreement dated November 1, 1998 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series X), filed as Exhibit No. 10.22 of the 1998 Third Quarter Form 10-Q.		
10.18	Copy of Supplemental Indenture dated October 15, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Loan Agreement dated November 1, 1998 between the State of New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series Y), filed as Exhibit No. 10.23 of the 1998 Third Quarter Form 10-Q.		
10.19	Copy of Operation, Maintenance and Management Services Agreement dated January 1, 1999 between the Company City of Perth Amboy, Middlesex County Improvement Authority and Utility Service Affiliates, Inc.	333-66727	10.24
10.20	Copy of Supplemental Indenture dated October 15, 1999 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 1999 between the State of New Jersey and Middlesex Water Company (Series Z), filed as Exhibit No. 10.25 of the 1999 Form 10-K.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.21	Copy of Supplemental Indenture dated October 15, 1999 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 1999 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series AA), filed as Exhibit No. 10.26 of the 1999 Form 10-K.		
10.22	Copy of Supplemental Indenture dated October 15, 2001 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 2001 between the State of New Jersey and Middlesex Water Company (Series BB). Filed as Exhibit No. 10.22 of the 2001 Form 10-K.		
10.23	Copy of Supplemental Indenture dated October 15, 2001 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 2001 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series CC). Filed as Exhibit No. 10.22 of the 2001 Form 10-K.		
10.24	Copy of Supplemental Indenture dated January 15, 2002 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated January 1, 2002 between the New Jersey Economic Development Authority and Middlesex Water Company (Series DD), filed as Exhibit No. 10.24 of the 2001 Form 10-K.		
10.25	Copy of Supplemental Indenture dated March 1, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Trust Indenture dated March 1, 1998 between the New Jersey Economic Development Authority and PNC Bank, National Association, as Trustee (Series W), filed as Exhibit No. 10.21 of the 1998 Third Quarter Form 10-Q.		
10.26	Copy of Supplemental Indenture dated October 15, 2004 between Middlesex Water Company and Wachovia Bank, as Trustee and copy of Loan Agreement dated November 1, 2004 between the State of New Jersey and Middlesex Water Company (Series EE), filed as Exhibit No. 10.26 of the 2004 Form 10-K.		
10.27	Copy of Supplemental Indenture dated October 15, 2004 between Middlesex Water Company and Wachovia Bank, as Trustee and copy of Loan Agreement dated November 1, 2004 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series FF), filed as Exhibit No. 10.27 of the 2004 Form 10-K.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.28	Copy of Promissory Notes and Amendment to Combination Water Utility Real Estate Mortgage and Security Agreement, by Tidewater Utilities, Inc., Dated March 19, 2009, filed as Exhibit No. 10.28 of the 2009 First Quarter Form 10-Q.		
10.29	Copy of Supply Agreement, between the Company and the City of Rahway, filed as Exhibit No. 10.2 of 2006 First Quarter Form 10-Q.		
10.30	Copy of Supplemental Indenture dated October 15, 2006 between Middlesex Water Company and U.S. Bank National Association, as Trustee and copy of Loan Agreement dated November 1, 2006 between the State of New Jersey and Middlesex Water Company (Series GG), filed as Exhibit No. 10.30 of the 2006 Form 10-K.		
10.31	Copy of Supplemental Indenture dated October 15, 2006 between Middlesex Water Company and U.S. Bank National Association, as Trustee and copy of Loan Agreement dated November 1, 2006 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series HH), filed as Exhibit No. 10.31 of the 2006 Form 10-K.		
10.32	Copy of Loan Agreement By and Between New Jersey Environmental Infrastructure Trust and Middlesex Water Company dated as of November 1, 2007 (Series II), filed as Exhibit No. 10.32 of the 2007 Form 10-K.		
10.33	Copy of Loan Agreement By and Between The State of New Jersey, Acting By and Through The New Jersey Department of Environmental Protection, and Middlesex Water Company dated as of November 1, 2007 (Series JJ), filed as Exhibit 10.33 of the 2007 Form 10-K.		
10.34	Copy of Loan Agreement By and Between New Jersey Environmental Infrastructure Trust and Middlesex Water Company dated as of November 1, 2008 (Series KK), filed as Exhibit 10.34 of the 2008 Form 10-K.		
10.35	Copy of Loan Agreement By and Between The State of New Jersey, Acting By and Through The New Jersey Department of Environmental Protection, and Middlesex Water Company dated as of November 1, 2008 (Series LL)), filed as Exhibit 10.35 of the 2008 Form 10-K.		
10.36	Registration Statement, Form S-3, under Securities Act of 1933 filed July 23, 2009, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	333-160757	
*10.37	Amended and Restated Line of Credit Note between registrant and PNC Bank.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
*10.38	Uncommitted Line of Credit Letter Agreement and Master Promissory Note between registrant and Bank of America, N.A.		
*10.39	Uncommitted Line of Credit Letter Agreement between registrant's wholly-owned subsidiary Utility Services Affiliates (Perth Amboy) Inc. and Bank of America, N.A.		
10.40	Amended Promissory Note for a committed line of credit between registrant's wholly-owned subsidiary Tidewater Utilities, Inc. and CoBank, ACB., filed as Exhibit 10.40 to the Company's September 30, 2011 Quarterly Report on Form 10-Q.		
10.41	Copy of Loan Agreement By and Between The state of New Jersey, Acting By and Through The New Jersey Department of Environmental Protection and Middlesex Water Company, dated as of December 1, 2010 (Series MM), filed as Exhibit 10.41 of the 2010 Form 10-K.		
10.42	Copy of Loan Agreement By and Between New Jersey Environmental Infrastructure Trust and Middlesex Water Company dated as of December 1, 2010 (Series NN), filed as Exhibit 10.42 of the 2010 Form 10-K.		
*21	Middlesex Water Company Subsidiaries.		
*23.1	Consent of Independent Registered Public Accounting Firm, ParenteBeard LLC.		
*31	Section 302 Certification by Dennis W. Doll pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*31.1	Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*32	Section 906 Certification by Dennis W. Doll pursuant to 18 U.S.C.§1350.		
*32.1	Section 906 Certification by A. Bruce O'Connor pursuant to 18 U.S.C.§1350.		
101.INS	XBRL Instance Document		
101.SCH	XBRL Schema Document		
101.CAL	XBRL Calculation Linkbase Document		
101.LAB	XBRL Labels Linkbase Document		
101.PRE	XBRL Presentation Linkbase Document		
101.DEF	XBRL Definition Linkbase Document		

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into as of March 1, 2012, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and Lorrie Ginegaw, residing at 1808 Cypress Lane, East Brunswick, New Jersey 08816, (referred to as "You" in this Agreement).

Recitals

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change in Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including You, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control of the Company.

C. To induce You to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that You shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated by the Company, or is terminated by You for "Good Reason" as defined herein in connection with a "Change in Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. **Term of Agreement.** This Agreement shall commence as of March 1, 2012 and shall continue in effect through December 31, 2012. However, commencing on December 31, 2012, and each December 31 afterwards, the term of this Agreement shall automatically be extended for one (1) additional year unless, no later than the preceding November 1st, the Company shall have given notice that it does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change in Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect until your termination of employment with the Company or its successor or when all amounts due under this Agreement following a termination have been paid, whichever is later.

2. **Change In Control.** No benefits shall be payable under this Agreement unless there shall have been a Change in Control of the Company, as set forth herein. For purposes of this Agreement, a "Change in Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is obtained for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. **Termination Following Change In Control.** If any of the events described in Section 2 above constituting a Change in Control of the Company shall have occurred, then unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by You other than for Good Reason, on the subsequent termination of your employment during the term of this Agreement, You shall be entitled to the severance benefits provided in Section 4.3 below if such termination occurs on or before the third (3rd) anniversary of the Change in Control date .

3.1 **Disability; Retirement.** If, as a result of your incapacity due to physical or mental illness, You shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given You shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination of your employment by the Company or You due to your "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to You.

3.2 **Cause.** Termination by the Company of your employment for "Cause" shall mean termination as a result of:

3.2.1 The willful and continued failure by You to substantially perform your duties with the Company as such employment was performed by You prior to the Change in Control (other than any such failure resulting from your Disability or any such actual or anticipated failure after the issuance by You of a Notice of Termination for Good Reason as defined herein) after a written demand for substantial performance is delivered to You by the Board, which demand specifically identifies the manner in which the Board believes that You have not substantially performed your duties; or

3.2.2 The willful act by You in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Section, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by You not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, You shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to You a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to You and an opportunity for You, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board You were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of this Section and specifying the particulars in detail.

3.3 **Good Reason.** You shall be entitled to receive severance benefits as provided in this Agreement if You terminate your employment with the Company for "Good Reason." For purposes of this Agreement, "Good Reason" shall mean, without your consent, the occurrence in connection with a Change in Control of the Company of any of the following circumstances unless, in the case of Sections 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Sections 3.5 and 3.4, respectively, given in respect of them. If You terminate your employment with the Company for Good Reason, as provided below, your employment with the Company shall be considered to have been involuntarily terminated by the Company:

3.3.1 The assignment to You of any significant employment duties which are inconsistent with your status and position (i) prior to the Change in Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change in Control of the Company, or (iii) which are a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Company whichever is applicable;

3.3.2 A reduction by the Company in your annual base salary as in effect on the initial date of this Agreement, or as same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;

3.3.3 Your relocation, without your consent, to an employment location not within twenty-five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;

3.3.4 The failure by the Company, without your consent, to pay to You any part of your current compensation, or to pay to You any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;

3.3.5 The failure by the Company to continue in effect any bonus to which You were entitled, or any compensation plan in which You participate (i) prior to the Change in Control where such change is a direct result of any pending Change in Control, or (ii) immediately prior to the Change in Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change in Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change in Control;

3.3.6 The failure by the Company to continue to provide You with (i) benefits substantially similar to those enjoyed by You under any of the Company's life insurance, medical, health and accident, or disability plans in which You were participating at the time of the Change in Control of the Company was in effect for the employees of the Company generally at the time of the Change in Control, (ii) the failure to continue to provide You with a Company automobile or allowance in lieu of it at the time of the Change in Control of the Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive You of any material fringe benefit enjoyed by You at the time of the Change in Control of the Company, or (iv) the failure by the Company to provide You with the number of paid vacation days to which You are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control of the Company;

3.3.7 The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or

3.3.8 Any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3.4 below (and, if applicable, the requirements of Section 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

3.4 **Notice of Termination.** Any purported termination of your employment by the Company or by You shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. Your rights to terminate your employment pursuant to this Section shall not be affected by your incapacity due to Disability. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event You deliver Notice of Termination based on circumstances set forth in Sections 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.5 **Date of Termination, etc.** "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that You shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Section 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Section 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Section 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay You your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue You as a participant in all compensation, benefit, and insurance plans in which You were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section. Amounts paid under this Section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. **Compensation on Termination or During Disability.** Following a Change in Control of the Company, as defined by Section 2, on termination of your employment or during a period of Disability You shall be entitled to the following benefits:

4.1 During any period that You fail to perform your full-time duties with the Company as a result of incapacity due to Disability, You shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to You under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by You for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by You other than for Good Reason, Disability, death, or Retirement, the Company shall pay You your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which You are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to You under this Agreement.

4.3 On or before the third anniversary of the Change in Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by You for Good Reason (as defined in Section 3.3 herein), then You shall be entitled to the benefits provided below:

4.3.1 The Company shall pay You your full salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which You are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.

4.3.2 In lieu of any further salary payments to You for periods subsequent to the Date of Termination, the Company shall pay to You, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the Notice of Termination (or if employed less than 5 years, the average annualized compensation of the period worked to date), plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to You an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between You and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up").

4.3.3 The Company shall continue coverage for You and your dependents under any health or welfare benefit plan under which You and your dependents were participating prior to the Change in Control for a period ending on the earlier to occur of (i) the date You become covered by a new employer's health and welfare benefit plan, (ii) the date You become covered by Medicare, or (iii) the date which is thirty-six (36) months from the Date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.

4.3.4 The Company shall pay to You any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to You or your account as of the Date of Termination.

4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to You under the Company's Stock Plans which are not vested on Termination shall immediately vest.

4.3.6 Where You shall prevail in any action against the Company to recover benefits hereunder, the Company shall also pay to You all reasonable legal and accounting fees and expenses incurred by You as a result of the termination, including all such fees and expenses incurred by You as a result of the termination, (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.

4.3.7 The amount of Severance Payments and any Gross-up due to You under this or any other relevant agreement with the Company shall be determined by a third party agreed to by You and the Company. If You cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to You, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 and 4.3.5 above, shall be made no later than the thirtieth (30th) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to You on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to You payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 For purposes of this Agreement, "Compensation" shall mean the gross earnings reported on Form W-2 during a calendar year (which may include but is not limited to the value of the personal use of an automobile, any third-party sick pay, and any fees paid to You for serving as a Director of the Company or its subsidiaries); awards under the Company's Restricted Stock Plan or other equity awards; and Company contributions to your 401(k) account.

4.5 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by You as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by You to the Company, or otherwise except as specifically provided in this Section 4.

4.6 In addition to all other amounts payable to You under this Section 4, You shall be entitled to receive all qualified benefits payable to You under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits in accordance with the terms of those plans.

5. Successors; Binding Agreement.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this Agreement and shall entitle You to compensation from the Company in the same amount and on the same terms as You would have been entitled to under this Agreement if You had terminated your employment for Good Reason following a Change in Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If You should die while any amount would still be payable to You if You had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. **Notice.** For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance this Agreement, except that notice of a change of address shall be effective only on receipt.

7. **Miscellaneous**

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by You and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to You under any other agreement You may have with the Company or in any Company plan in which You may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principles.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. **Validity.** The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. **Arbitration.** Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, You shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. **Entire Agreement.** This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this Agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ Dennis W. Doll

Dennis W. Doll
President

ATTEST:

/s/ Kenneth J. Quinn

Kenneth J. Quinn
Secretary

/s/ Lorrie Ginegaw

Lorrie Ginegaw
Vice President



January 27, 2012

Middlesex Water Company
1500 Ronson Road
Iselin, New Jersey 08830-3020

Attn: A. Bruce O'Connor, CPA

Re: Renewal of Expiration Date for \$20,000,000.00 Committed Line of Credit

Dear Bruce:

We are pleased to inform you that your committed line of credit has been renewed. The Expiration Date, as set forth in that certain Letter Agreement dated August 27, 2001, and in the Amended and Restated committed Line of Credit Note dated January 29, 2010 executed and delivered pursuant to that Letter Agreement, has been extended from January 29, 2012 to January 29, 2013, effective on January 30, 2012. All other terms and conditions of the Committed Line of Credit Note and the Letter Agreement remain in full force and effect.

It has been a pleasure working with you and I look forward to a continued successful relationship. Thank you again for your business.

Very truly yours,

PNC BANK, NATIONAL ASSOCIATION

By: /s/Kimberly A. McArdle
Kimberly A. McArdle
Vice President

Member of The PNC Financial Services Group

Two Tower Center Boulevard East Brunswick New Jersey 08816



**Amended and Restated
Committed Line Of Credit Note
(Multi-Rate Options)**

\$20,000,000.00

January 29, 2010

FOR VALUE RECEIVED, MIDDLESEX WATER COMPANY (the "**Borrower**"), with an address at 1500 Ronson Road, Iselin, New Jersey 08830-3020, promises to pay to the order of **PNC BANK, NATIONAL ASSOCIATION** (the "**Bank**"), in lawful money of the United States of America in immediately available funds at its offices located at Two Tower Center Boulevard, East Brunswick, New Jersey 08816, or at such other location as the Bank may designate from time to time, the principal sum of **TWENTY MILLION AND 00/100 DOLLARS** (\$20,000,000.00) (the "**Facility**") or such lesser amount as may be advanced to or for the benefit of the Borrower hereunder, together with interest accruing on the outstanding principal balance from the date hereof, all as provided below.

1. Advances. The Borrower may request advances, repay and request additional advances hereunder until the Expiration Date, subject to the terms and conditions of this Note and the Loan Documents (as hereinafter defined). The "**Expiration Date**" shall mean January 29, 2011, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Facility or this Note beyond the Expiration Date. The Borrower may request advances hereunder upon giving oral or written notice to the Bank by 11:00 a.m. (Eastern, Standard time) (a) on the day of the proposed advance, in the case of advances to bear interest under the Base Rate Option (as hereinafter defined) and (b) three (3) Business Days prior to the proposed advance, in the case of advances to bear interest under the LIBOR Option (as hereinafter defined), followed promptly thereafter by the Borrower's written confirmation to the Bank of any oral notice. The aggregate unpaid principal amount of advances under this Note shall not exceed the face amount of this Note.

2. Rate of Interest. Each advance outstanding under this Note will bear interest at a rate or rates per annum as may be selected by the Borrower from the interest rate options set forth below (each, an "**Option**"):

(i) **Base Rate Option.** A rate of interest per annum which is at all times equal to the Base Rate. If and when the Base Rate (or any component thereof) changes, the rate of interest with respect to any advance to which the Base Rate Option applies will change automatically without notice to the Borrower, effective on the date of any such change. There are no required minimum interest periods for advances bearing interest under the Base Rate Option.

(ii) **LIBOR Option.** A rate per annum equal to (A) LIBOR plus (B) one hundred (100) basis points (1.00%), for the applicable LIBOR Interest Period.

For purposes hereof, the following terms shall have the following meanings:

“Base Rate” shall mean the highest of (A) the Prime Rate, and (B) the sum of the Federal Funds Open Rate plus fifty (50) basis points (0.50%), and (C) the sum of the Daily LIBOR Rate plus one hundred (100) basis points (1.0%), so long as a Daily LIBOR Rate is offered, ascertainable and not unlawful.

“Business Day” shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in East Brunswick, New Jersey.

“Daily LIBOR Rate” shall mean, for any day, the rate per annum determined by the Bank by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the LIBOR Reserve Percentage.

“Federal Funds Open Rate” shall mean, for any day, the rate per annum (based on a year of 360 days and actual days elapsed) which is the daily federal funds open rate as quoted by ICAP North America, Inc. (or any successor) as set forth on the Bloomberg Screen BTMM for that day opposite the caption “OPEN” (or on such other substitute Bloomberg Screen that displays such rate), or as set forth on such other recognized electronic source used for the purpose of displaying such rate as selected by the Bank (an “Alternate Source”) (or if such rate for such day does not appear on the Bloomberg Screen BTMM (or any substitute screen) or on any Alternate Source, or if there shall at any time, for any reason, no longer exist a Bloomberg Screen BTMM (or any substitute screen) or any Alternate Source, a comparable replacement rate determined by the Bank at such time (which determination shall be conclusive absent manifest error); provided however, that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the “open” rate on the immediately preceding Business Day. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Federal Funds Open Rate without notice to the Borrower.

“LIBOR” shall mean, with respect to any advance to which the LIBOR Option applies for the applicable LIBOR Interest Period, the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, at the Bank’s discretion, to the nearest 1/100th of 1%) (i) the rate of interest determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days prior to the first day of such LIBOR Interest Period for an amount comparable to such advance and having a borrowing date and a maturity comparable to such LIBOR Interest Period by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage.

“LIBOR Interest Period” shall mean, as to any advance to which the LIBOR Option applies, the period of one (1), two (2), or three (3) months as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, commencing on the date of disbursement of an advance (or the date of conversion of an advance to the LIBOR Option, as the case may be) and each successive period selected by the Borrower thereafter; provided that, (i) if a LIBOR Interest Period would end on a day which is not a Business Day, it shall end on the next succeeding Business Day unless such day falls in the next succeeding calendar month in which case the LIBOR Interest Period shall end on the next preceding Business Day, (ii) the Borrower may not select a LIBOR Interest Period that would end on a day after the Expiration Date, and (iii) any LIBOR Interest Period that begins on the last Business Day of a calendar month (or a day for which there is no numerically corresponding day in the last calendar month of such LIBOR Interest Period) shall end on the last Business Day of the last calendar month of such LIBOR Interest Period.

“LIBOR Reserve Percentage” shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency liabilities”).

“Prime Rate” shall mean the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers.

“Published Rate” shall mean the rate of interest published each Business Day in the Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the eurodollar rate for a one month period as published in another publication selected by the Bank).

LIBOR and the Daily LIBOR Rate shall be adjusted with respect to any advance to which the LIBOR Option or Base Rate Option applies, as applicable, on and as of the effective date of any change in the LIBOR Reserve Percentage. The Bank shall give prompt notice to the Borrower of LIBOR or the Daily LIBOR Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

If the Bank determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining LIBOR, then the Bank shall give notice thereof to the Borrower. Thereafter, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate for all advances then bearing interest under the LIBOR Option shall be converted at the expiration of the then current LIBOR Interest Period(s) to the Base Rate Option.

In addition, if, after the date of this Note, the Bank shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans based on LIBOR, the Bank shall notify the Borrower. Upon receipt of such notice, until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate on all advances then bearing interest under the LIBOR Option shall be converted to the Base Rate Option either (i) on the last day of the then current LIBOR Interest Period(s) if the Bank may lawfully continue to maintain advances based on LIBOR to such day, or (ii) immediately if the Bank may not lawfully continue to maintain advances based on LIBOR.

The foregoing notwithstanding, it is understood that the Borrower may select different Options to apply simultaneously to different portions of the advances and may select up to three (3) different interest periods to apply simultaneously to different portions of the advances bearing interest under the LIBOR Option. Interest hereunder will be calculated based on the actual number of days that principal is outstanding over a year of 360 days. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

3. Interest Rate Election. Subject to the terms and conditions of this Note, at the end of each interest period applicable to any advance, the Borrower may renew the Option applicable to such advance or convert such advance to a different Option; provided that, during any period in which any Event of Default (as hereinafter defined) has occurred and is continuing, any advances bearing interest under the LIBOR Option shall, at the Bank's sole discretion, be converted at the end of the applicable LIBOR Interest Period to the Base Rate Option and the LIBOR Option will not be available to Borrower with respect to any new advances (or with respect to the conversion or renewal of any existing advances) until such Event of Default has been cured by the Borrower or waived by the Bank. The Borrower shall notify the Bank of each election of an Option, each conversion from one Option to another, the amount of the advances then outstanding to be allocated to each Option and where relevant the interest periods therefor. In the case of converting to the LIBOR Option, such notice shall be given at least three (3) Business Days prior to the commencement of any LIBOR Interest Period. If no interest period is specified in any such notice for which the resulting advance is to bear interest under the LIBOR Option, the Borrower shall be deemed to have selected a LIBOR Interest Period of one month's duration. If no notice of election, conversion or renewal is timely received by the Bank with respect to any advance, the Borrower shall be deemed to have elected the Base Rate Option. Any such election shall be promptly confirmed in writing by such method as the Bank may require.

4. Advance Procedures. A request for advance made by telephone must be promptly confirmed in writing by such method as the Bank may require. The Borrower authorizes the Bank to accept telephonic requests for advances, and the Bank shall be entitled to rely upon the authority of any person providing such instructions. The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) which may arise or be created by the acceptance of such telephone requests or making such advances. The Bank will enter on its books and records, which entry when made will be presumed correct, the date and amount of each advance, the interest rate and interest period applicable thereto, as well as the date and amount of each payment.

5. Payment Terms. The Borrower shall pay accrued interest on the unpaid principal balance of this Note in arrears: (a) for the portion of advances bearing interest under the Base Rate Option, on the first day of each month during the term hereof, (b) for the portion of advances bearing interest under the LIBOR Option, on the last day of the respective LIBOR Interest Period, as the case may be, for such advance, and (c) for all advances, at maturity, whether by acceleration of this Note or otherwise, and after maturity, on demand until paid in full. All outstanding principal and accrued interest hereunder shall be due and payable in full on the Expiration Date.

If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Bank's office indicated above is located, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment. The Borrower hereby authorizes the Bank to charge the Borrower's deposit account at the Bank for any payment when due hereunder. Payments received will be applied to charges, fees and expenses (including attorneys' fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

6. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within fifteen (15) calendar days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the "**Late Charge**"). Such fifteen (15) day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, each advance outstanding under this Note shall bear interest at a rate per annum (based on the actual number of days that principal is outstanding over a year of 360 days) which shall be three percentage points (3%) in excess of the interest rate in effect from time to time under this Note but not more than the maximum rate allowed by law (the "**Default Rate**"). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the Late Charge and the Default Rate are imposed as liquidated damages for the purpose of defraying the Bank's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

7. Prepayment. The Borrower shall have the right to prepay any advance hereunder at any time and from time to time, in whole or in part; subject, however, to payment of any break funding indemnification amounts owing pursuant to paragraph 8 below.

8. Yield Protection; Break Funding Indemnification. The Borrower shall pay to the Bank on written demand therefor, together with the written evidence of the justification therefor, all direct costs incurred, losses suffered or payments made by Bank by reason of any change in law or regulation or its interpretation imposing any reserve, deposit, allocation of capital, or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets. In addition, the Borrower agrees to indemnify the Bank against any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest under the LIBOR Option) which the Bank sustains or incurs as a consequence of either (i) the Borrower's failure to make a payment on the due date thereof, (ii) the Borrower's revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Bank to request, convert, renew or prepay any advance bearing interest under the LIBOR Option, or (iii) the Borrower's payment or prepayment (whether voluntary, after acceleration of the maturity of this Note or otherwise) or conversion of any advance bearing interest under the LIBOR Option on a day other than the last day of the applicable LIBOR Interest Period. A notice as to any amounts payable pursuant to this paragraph given to the Borrower by the Bank shall, in the absence of manifest error, be conclusive and shall be payable upon demand. The Borrower's indemnification obligations hereunder shall survive the payment in full of the advances and all other amounts payable hereunder.

9. Other Loan Documents. This Note is issued in connection with a Letter Agreement dated August 27, 2001 between the Borrower and the Bank, dated on or before the date hereof, and the other agreements and documents executed and/or delivered in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the "**Loan Documents**"), and is secured by the property (if any) described in the Loan Documents and by such other collateral as previously may have been or may in the future be granted to the Bank to secure this Note.

10. Events of Default. The occurrence of any of the following events will be deemed to be an "**Event of Default**" under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note when due; (ii) the occurrence of any event of default or any default and the lapse of any notice or cure period, or any Obligor's failure to observe or perform any covenant or other agreement, under or contained in any Loan Document or any other document now or in the future evidencing or securing any debt, liability or obligation of any Obligor to the Bank; (iii) the filing by or against any Obligor of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor, such proceeding is not dismissed or stayed within 30 days of the commencement thereof, provided that the Bank shall not be obligated to advance additional funds hereunder during such period); (iv) any assignment by any Obligor for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor held by or deposited with the Bank; (v) a default with respect to any other indebtedness of any Obligor for borrowed money, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the commencement of any foreclosure or forfeiture proceeding, execution or attachment against any collateral securing the obligations of any Obligor to the Bank; (vii) the entry of a final judgment against any Obligor and the failure of such Obligor to discharge the judgment within ten (10) days of the entry thereof; (viii) any material adverse change in any Obligor's business, assets, operations, financial condition or results of operations; (ix) any Obligor ceases doing business as a going concern; (x) any representation or warranty made by any Obligor to the Bank in any Loan Document or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank, is false, erroneous or misleading in any material respect; (xi) if this Note or any guarantee executed by any Obligor is secured, the failure of any Obligor to provide the Bank with additional collateral if in the Bank's opinion at any time or times, the market value of any of the collateral securing this Note or any guarantee has depreciated below that required pursuant to the Loan Documents or, if no specific value is so required, then in an amount deemed material by the Bank; (xii) the revocation or attempted revocation, in whole or in part, of any guarantee by any Obligor; or (xiii) the death, incarceration, indictment or legal incompetency of any individual Obligor or, if any Obligor is a partnership or limited liability company, the death, incarceration, indictment or legal incompetency of any individual general partner or member. As used herein, the term "**Obligor**" means any Borrower and any guarantor of, or any pledgor, mortgagor or other person or entity providing collateral support for, the Borrower's obligations to the Bank existing on the date of this Note or arising in the future.

Upon the occurrence of an Event of Default: (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank's option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

11. Right of Setoff. In addition to all liens upon and rights of setoff against the Borrower's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Borrower's obligations to the Bank under this Note and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Borrower hereby grants the Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank, all of the Borrower's right, title and interest in and to, all of the Borrower's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Borrower. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

12. Indemnity. The Borrower agrees to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank, and each of their respective directors, officers and employees (the "**Indemnified Parties**"), and to defend and hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Borrower), in connection with or arising out of or relating to the matters referred to in this Note or in the other Loan Documents or the use of any advance hereunder, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Borrower, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Note, payment of any advance hereunder and the assignment of any rights hereunder. The Borrower may participate at its expense in the defense of any such action or claim.

13. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (“**Notices**”) must be in writing (except as may be agreed otherwise above with respect to borrowing requests) and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party’s address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this paragraph. No delay or omission on the Bank’s part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank’s action or inaction impair any such right or power. The Bank’s rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Note will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank’s counsel. If any provision of this Note is found to be invalid, illegal or unenforceable in any respect by a court, all the other provisions of this Note will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor and notice of non-payment. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank’s written consent and the Bank at any time may assign this Note in whole or in part.

This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank’s office indicated above is located. **THIS NOTE WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE BORROWER DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK’S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank’s office indicated above is located; provided that nothing contained in this Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

14. Commercial Purpose. The Borrower represents that the indebtedness evidenced by this Note is being incurred by the Borrower solely for the purpose of acquiring or carrying on a business, professional or commercial activity, and not for personal, family or household purposes.

15. Amendment and Restatement – This Note amends and restates, and is in substitution for, that certain Committed Line of Credit Note in the principal amount of \$15,000,000.00 payable to the order of the Bank and dated January 22, 2009 (the “Existing Note”). However, without duplication, this Note shall in no way extinguish, cancel or satisfy Borrower’s unconditional obligation to repay all indebtedness evidenced by the Existing Note or constitute a novation of the Existing Note. Nothing herein is intended to extinguish, cancel or impair the lien priority or effect of any security agreement, pledge agreement or mortgage with respect to the Obligor’s obligations hereunder and under any other document relating hereto.

16. WAIVER OF JURY TRIAL. THE BORROWER IRREVOCABLY WAIVES ANY AND ALL RIGHTS THE BORROWER MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS NOTE, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS NOTE OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE BORROWER ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Borrower acknowledges that it has read and understood all the provisions of this Note, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

WITNESS / ATTEST:

MIDDLESEX WATER COMPANY

/s/ Kenneth J. Quinn

By: /s/ A. Bruce O'Connor (SEAL)

Print Name: Kenneth J. Quinn

A. Bruce O'Connor

Title: Secretary

Vice President and Chief Financial Officer



Amendment to Loan Documents

THIS AMENDMENT TO LOAN DOCUMENTS (this “**Amendment**”) is made as of January ___, 2010, by and between **MIDDLESEX WATER COMPANY** (the “**Borrower**”), and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”).

BACKGROUND

A. The Borrower has executed and delivered to the Bank (or a predecessor which is now known by the Bank’s name as set forth above), one or more promissory notes, letter agreements, loan agreements, security agreements, mortgages, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents, some or all of which are more fully described on attached Exhibit A, which is made a part of this Amendment (collectively as amended from time to time, the “**Loan Documents**”) which evidence or secure some or all of the Borrower’s obligations to the Bank for one or more loans or other extensions of credit (the “**Obligations**”).

B. The Borrower and the Bank desire to amend the Loan Documents as provided for in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain of the Loan Documents are amended as set forth in Exhibit A. Any and all references to any Loan Document in any other Loan Document shall be deemed to refer to such Loan Document as amended by this Amendment. This Amendment is deemed incorporated into each of the Loan Documents. Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Loan Documents. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in any Loan Document, the terms and provisions of this Amendment shall control.

2. The Borrower hereby certifies that: (a) all of its representations and warranties in the Loan Documents, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default, exists under any Loan Document which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms. The Borrower confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

3. The Borrower hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the Borrower or third parties (if applicable), shall continue unimpaired and in full force and effect, and shall cover and secure all of the Borrower's existing and future Obligations to the Bank, as modified by this Amendment.

4. As a condition precedent to the effectiveness of this Amendment, the Borrower shall comply with the terms and conditions (if any) specified in Exhibit A.

5. To induce the Bank to enter into this Amendment, the Borrower waives and releases and forever discharges the Bank and its officers, directors, attorneys, agents, and employees from any liability, damage, claim, loss or expense of any kind that it may have against the Bank or any of them arising out of or relating to the Obligations. The Borrower further agrees to indemnify and hold the Bank and its officers, directors, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including attorneys' fees) suffered by or rendered against the Bank or any of them on account of any claims arising out of or relating to the Obligations. The Borrower further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.

6. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

7. This Amendment will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns.

8. This Amendment has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated in the Loan Documents is located. This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State where the Bank's office indicated in the Loan Documents is located, excluding its conflict of laws rules.

9. Except as amended hereby, the terms and provisions of the Loan Documents remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Loan Document, a waiver of any default or Event of Default under any Loan Document, or a waiver or release of any of the Bank's rights and remedies (all of which are hereby reserved). **The Borrower expressly ratifies and confirms the waiver of jury trial provisions contained in the Loan Documents.**

WITNESS the due execution of this Amendment as a document under seal as of the date first written above.

WITNESS / ATTEST:

/s/ Kenneth J. Quinn

Print Name: Kenneth J. Quinn

Title: Secretary

MIDDLESEX WATER COMPANY

By: /s/ A. Bruce O'Connor (SEAL)

A. Bruce O'Connor

Vice President and Chief Financial Officer

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Kimberly McArdle (SEAL)

Print Name: Kimberly McArdle

Title: Vice President

EXHIBIT A TO
AMENDMENT TO LOAN DOCUMENTS
DATED AS OF JANUARY 29, 2010

A. The "Loan Documents" that are the subject of this Amendment include the following (as any of the foregoing have previously been amended, modified or otherwise supplemented):

1. Letter Agreement dated August 27, 2001 (the "Agreement")
2. Amended and Restated Committed Line of Credit Note dated January 22, 2009 in the principal amount of \$15,000,000.00 (the "Existing Note")
3. All other documents, instruments, agreements, and certificates executed and delivered in connection with the Loan Documents listed in this Section A.

B. The Loan Documents are amended as follows:

1. **Modifications to the Agreement.**

a. The facility as described as the "Loan" in the opening paragraph and the "Line of Credit" in paragraph 1 Facility and Use of Proceeds, is hereby increased to TWENTY MILLION AND 00/100 DOLLARS (\$20,000,000.00).

b. The "Expiration Date" set forth in paragraph 1. Facility and Use of Proceeds is hereby amended to mean **January 29, 2011**, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower.

2. **Restated Note.** Concurrently with the execution and delivery of this Amendment, the Borrower shall execute and deliver to the Bank a restated note (the "**Restated Note**") evidencing the Line of Credit in the principal amount of \$20,000,000.00, in form and substance satisfactory to the Bank. Upon receipt by the Bank of the Restated Note, the existing Line of Credit Note shall be canceled; the Line of Credit and all accrued and unpaid interest on the Existing Note shall thereafter be evidenced by the Restated Note; and all references to the "Note" evidencing the Line of Credit in any documents relating thereto shall thereafter be deemed to refer to the Restated Note. Without duplication, the Restated Note shall not constitute a novation and shall in no way extinguish the Borrower's unconditional obligation to repay all indebtedness, including accrued and unpaid interest, evidenced by the Existing Note.
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C. Conditions to Effectiveness of Amendment: The Bank's willingness to agree to the amendments set forth in this Amendment is subject to the prior satisfaction of the following conditions:

1. Execution by all parties and delivery to the Bank of this Amendment and the Restated Note.
 2. Reimbursement of the fees and expenses of the Bank's outside and in-house counsel in connection with this Amendment, which fees and expenses as of the date of this Amendment are \$_____.
-



Global Commercial Banking

May 25, 2011

Middlesex Water Company
1500 Ronson Road
Iselin, New Jersey 08830

Attention: Mr. Bruce O'Connor, Vice President and Chief Financial Officer

Re: Extension of Maturity Date

Dear Mr. O'Connor:

Reference is made to the Master Promissory Note, dated February 2, 2009 (the "Note") in the original maximum principal amount of Twenty Five Million and 00/100 Dollars (\$25,000,000), executed by Middlesex Water Company a New Jersey corporation (the "Borrower") and delivered to Bank of America, N.A. (the "Bank"), and the Uncommitted Line of Credit Letter Agreement, dated February 2, 2009, between the Borrower and Bank (the "Letter Agreement"). The Note, Letter Agreement, and any and all other documents, instruments, and agreements executed in connection therewith are referred to herein as the "Loan Documents". Capitalized terms used herein shall have the meaning ascribed to them in the Loan Documents.

The Borrower has requested that the Note, the Letter Agreement, and all documents, instruments, agreements and amendments that evidence, govern or secure the Note (together with the Note, and the Loan Documents) be modified for the purpose of extending the Maturity Date (as such terms is defined in the Loan Documents) and the Bank has agreed to such extension.

The Bank agrees that the Maturity Date as set forth in the Loan Documents shall be extended from May 30, 2011 to May 30, 2012.

Upon (a) the execution and delivery of this Letter Agreement by the Borrower and (b) receipt by the Bank of any unpaid payments under the Loan Documents, if any, through but not including the date of the execution and delivery of this letter and the extension set forth in this letter shall be effective and enforceable against the Borrower. Nothing herein contained or implied shall be construed as a waiver of any other provision of the Loan Documents or any other document executed in connection with the Loan Documents or a waiver of any presently existing or future default in the non-payment of principal and/or interest or any other amounts due under the Loan Documents.

The Borrower hereby warrants and represents that the representations and warranties contained in the Loan Documents continue to be true and correct and that no event of default, and no event which with the giving of notice or lapse of time or both would become an event of default, has occurred or is continuing under the Loan Documents. The Borrower acknowledges that as of the date hereof there are no offsets, defenses, claims, counterclaims, charges or deductions of any nature against amounts due and owing under the Note or against the Bank or any of its officers, directors or employers.

Bank of America, N.A., NJ6-502-03-08
750 Walnut Avenue, Cranford, NJ 07016

Member FDIC

The Borrower hereby ratifies and confirms all respects and without condition all of the terms and provisions of the Loan Documents, as modified herein, as applicable, and each agrees that said terms and provisions, except to the extent expressly modified herein, continue in full force and effect.

This letter shall be binding upon the Borrower and each endorser and guarantor of the Loan Documents and their respective successors, heirs and assigns and shall inure to the benefit of the Bank and its successors and assigns. This Agreement shall take effect as a sealed instrument and shall be governed by the laws of the State of New Jersey.

In no event shall this letter agreement constitute or be construed as a waiver or release of the obligations of any maker, guarantor, endorser or other person liable for the Borrower's obligations under the Note, and the obligations of such parties shall remain in full force and effect.

If this letter extending the Maturity Date is acceptable, please acknowledge below and return the acknowledged copy to me.

If you have any questions, please contact me.

Sincerely,

Bank of America, N.A.

By: /s/Lori A. Moylan
Lori A. Moylan
TITLE: Senior Vice President

This letter is agreed to by:

WITNESS:

MIDDLESEX WATER COMPANY

By: /s/ Kenneth J. Quinn
Kenneth J. Quinn
VP, General Counsel,
Secretary & Treasurer

By: /s/ A. Bruce O'Connor
NAME:
TITLE: VP&CFO

February 2, 2009

Middlesex Water Company

1500 Ronson Road

Iselin, NJ 08830

Attn: Mr. Bruce O'Connor, Chief Financial Officer

Re: Uncommitted Line of Credit

Dear Mr. O'Connor:

We are pleased to advise you that BANK OF AMERICA, N.A. (the "Lender") has established for Middlesex Water Company, a New Jersey corporation (the "Borrower"), an uncommitted line of credit with aggregate advances ("Loans") outstanding thereunder not at any time to exceed Twenty Five Million Dollars (\$25,000,000). The terms and conditions of the line of credit are as follows:

Loans

Discretionary: All Loans under this line of credit shall be at the sole discretion of the Lender. This letter is not a commitment by the Lender to extend credit.

Principal: The outstanding principal of each Loan shall be due and payable on the earlier of (a) the maturity date for such Loan agreed to by the Lender and the Borrower at time such Loan is made, and (b) the Maturity Date.

Interest: Each Loan shall bear interest at the rate of interest agreed to by the Lender and the Borrower at the time such Loan is made. Accrued and unpaid interest on each Loan shall be due and payable on the date that such Loan is payable. No Loan shall have a maturity of more than ninety (90) days or three months (whichever is longer) after the date made.

Maturity Date: May 30, 2010.

Requests for Loans: Any request for a Loan must be received by the Lender at the address, telephone number or facsimile number listed below the Lender's signature not later than 11:00 a.m., EST time, on the date of the requested Loan (which must be a day on which the Lender is open to conduct substantially all of its business).

Documentation: The Loans shall be evidenced by a promissory note satisfactory in form and substance to the Lender executed by the Borrower. The Borrower shall execute and deliver to the Lender such other documents as the Lender may reasonably request from time to time.

Financial Information: To provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time.

(a) Within ninety (90) days of the close of each fiscal year the Borrower's annual Form 10-K, which shall include, but not be limited to, the consolidated and consolidating balance sheet, statements of income and retained earnings and cash flows of the Borrower and its subsidiaries as of the last day of and for such fiscal year, each such statement to be certified by the chief financial or accounting officer of the Borrower, in each case as having been prepared in accordance with GAAP consistently applied and certified by a firm of independent certified public accountants satisfactory to the Bank;

(b) Within forty-five (45) days of the close of each fiscal quarter of the Borrower, the Borrower's 10-Q, which shall include, but not be limited to, the consolidated and consolidating balance sheet, statements of income and retained earnings and cash flows of the Borrower and its subsidiaries as of the last day of and for such quarter and for the portion of the fiscal year end then elapsed, each such statement to be certified by the chief financial or accounting officer of the Guarantor, in each case as having been prepared in accordance with GAAP consistently applied.

Notice: The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "Act"), the Lender is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Act.

Please indicate your acknowledgment of the foregoing by signing and returning the enclosed copy of this letter to the undersigned at the address noted below.

Very truly yours,

BANK OF AMERICA, N.A.

By /s/ Lori A. Moylan

Name Lori A. Moylan

Title Senior Vice President

Address: 750 Walnut Street, Cranford, New Jersey 07016

Acknowledged and agreed:

Middlesex Water Company

By: /s/ A. Bruce O'Connor

Name/Title: A. Bruce O'Connor-Vice President
and Chief Financial Officer

MASTER PROMISSORY NOTE

\$25,000,000

February 2, 2009

FOR VALUE RECEIVED, the undersigned, MIDDLESEX WATER COMPANY, a New Jersey corporation (the "Borrower"), hereby promises to pay to the order of BANK OF AMERICA, N.A. (the "Lender"), at its office at 750 Walnut Avenue, Cranford, New Jersey 07016 (or at such other place as the Lender may designate from time to time), in lawful money of the United States of America and in immediately available funds, the principal amount of Twenty Five Million Dollars (\$25,000,000) or such lesser amount as shall equal the aggregate unpaid principal amount of the advances (the "Loans") made by the Lender to the Borrower under this Master Promissory Note (this "Note"), and to pay interest on the unpaid principal amount of each such Loan at the rates per annum and on the dates specified below.

Each Loan hereunder shall be at the sole discretion of the Lender. Each Loan shall have a maturity date and shall bear interest at the rate per annum quoted to the Borrower by the Lender and accepted by the Borrower prior to the making of such Loan (which acceptance shall in any event be deemed to occur upon receipt by the Borrower of the proceeds of any Loan). Each Loan, and accrued and unpaid interest thereon, shall be due and payable, on the earlier of (a) the maturity date of such Loan, or (b) May 30, 2010 ("Maturity Date"). No Loan shall have a maturity of more than ninety (90) days or three months (whichever is longer) after the date made. No Loan shall have a maturity beyond the Maturity Date. The Lender may, if and to the extent any payment is not made when due hereunder, charge from time to time against any or all of the Borrower's accounts with the Lender any amount so due.

The date, amount, interest rate, and maturity date of each Loan, and each payment of principal and interest hereon, shall be recorded by the Lender on its books, which recordations shall, in the absence of manifest error, be conclusive as to such matters; provided that the failure of the Lender to make any such recordation or any error therein shall not limit or otherwise affect the obligations of the Borrower hereunder.

The Borrower may not prepay any Loan in whole or in part without the Lender's prior written consent; provided, however, that if any such prepayment is made the Borrower shall at the time of prepayment compensate the Lender for any loss, cost, or expense that the Lender incurs as a result of such prepayment. In addition, the Borrower shall compensate the Lender for any loss, cost or expense that the Lender incurs as a result of a prepayment by reason of acceleration of the indebtedness hereunder.

Interest shall be computed on the basis of a year of 360 days and the actual days elapsed (including the first day but excluding the last day). Overdue principal and, to the extent permitted by applicable law, interest shall bear interest, payable upon demand, for each day from and including the due date to but excluding the date of actual payment at a rate per annum equal to the sum of 2% plus the rate of interest publicly announced by the Lender from time to time as its prime rate. The Lender's prime rate is a rate set by the Lender based upon various factors including the Lender's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Whenever any payment under this Note is due on a day that is not a day the Lender is open to conduct substantially all of its business, such payment shall be made on the next succeeding day on which the Lender is open to conduct substantially all of its business, and such extension of time shall in such case be included in the computation of the payment of interest.

Each of the following shall constitute an Event of Default hereunder: (a) the Borrower shall fail to pay when due any principal of or interest on any Loan; (b) a default or event of default shall occur under the terms of any other indebtedness for which the Borrower or any of its subsidiaries is liable, whether as principal obligor, guarantor, or otherwise having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) in excess of \$10,000,000; (c) any representation, warranty, certification, or statement made or deemed made by the Borrower to the Lender shall prove to have been incorrect or misleading in any material respect; (d) the Borrower shall dissolve, liquidate, or terminate its legal existence or shall convey, transfer, lease, or dispose of (whether in one transaction or a series of transactions) all or substantially all of its assets to any person or entity; (e) a petition shall be filed by or against the Borrower or any of its subsidiaries under any law relating to bankruptcy, reorganization, or insolvency, or (f) the Borrower or any of its subsidiaries shall make an assignment for the benefit of creditors or fail generally to pay its debts as they become due, or a receiver, trustee, or similar official shall be appointed over the Borrower or any of its subsidiaries or a substantial portion of any of their respective assets. If an Event of Default shall have occurred and be continuing, the Lender may declare the outstanding principal of and accrued and unpaid interest on this Note, together with all other amounts payable hereunder, to be immediately due and payable without presentment, protest, demand, or other notice of any kind, all of which are hereby waived by the Borrower; provided, however, that upon the occurrence with respect to the Borrower of any event specified in clause (e) of the preceding sentence, the outstanding principal and accrued and unpaid interest on this Note, together with all other amounts payable hereunder, shall become immediately due and payable without presentment, protest, demand, or other notice of any kind, all of which are hereby waived by the Borrower.

The request of the Borrower for any Loan and the receipt by the Borrower of the proceeds thereof shall be deemed a representation by the Borrower as of the date of each such request or receipt that no Event of Default has occurred and that the Borrower is duly authorized to incur such indebtedness hereunder.

No failure or delay by the Lender in exercising, and no course of dealing with respect to, any right, power, or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies of the Lender provided herein shall be cumulative and not exclusive of any other rights or remedies provided by law. If any provision of this Note shall be held invalid or unenforceable in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof. No provision of this Note may be modified or waived except by a written instrument signed by the Lender and the Borrower.

The Lender shall incur no liability to the Borrower in acting upon any telephone, telex, or other communication that the Lender in good faith believes has been given by an authorized representative of the Borrower.

The Lender may assign to one or more banks or other entities all or any part of, or may grant participations to one or more banks or other entities in or to all or any part of, this Note or any Loan or Loans hereunder.

The Borrower shall pay on demand all costs and expenses (including reasonable attorneys' fees and the allocated costs of internal counsel) incurred by the Lender in connection with any Event of Default or the enforcement or attempted enforcement of this Note.

Notwithstanding anything to the contrary contained herein, the interest paid or agreed to be paid hereunder shall not exceed the maximum rate of non-usurious interest permitted by applicable law (the "Maximum Rate"). If the Lender shall receive interest in an amount that exceeds the Maximum Rate, the excessive interest shall be applied to the principal of this Note or, if it exceeds the unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Lender exceeds the Maximum Rate, the Lender may, to the extent permitted by applicable law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the stated term of this Note.

This Note shall be governed by and construed in accordance with the laws of the State of New Jersey. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court and each state court in New Jersey as determined appropriate by the Lender for the purposes of all legal proceedings arising out of or relating to this Note. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. The Borrower and the Lender by acceptance of this Note hereby irrevocably waive any and all right to trial by jury in any legal proceeding arising out of or relating to this Note.

THIS NOTE AND ANY OTHER DOCUMENTS EXECUTED IN CONNECTION HEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

MIDDLESEX WATER COMPANY

By: /s/ A. Bruce O'Connor
Name: A. Bruce O'Connor
Title: Vice President and Chief Financial Officer

WITNESS:

/s/ Kenneth J. Quinn
Kenneth J. Quinn
Secretary



Global Commercial Banking

May 25, 2011

Utility Service Affiliates (Perth Amboy) Inc.
1500 Ronson Road
Iselin, New Jersey 08830

Attention: Mr. Bruce O'Connor, Vice President and Chief Financial Officer

Re: Extension of Maturity Date

Dear Mr. O'Connor:

Reference is made to the Master Promissory Note, dated July 18, 2008 (the "Note") in the original maximum principal amount of Three Million and 00/100 Dollars (\$3,000,000), executed by Utility Service Affiliates (Perth Amboy) Inc., a New Jersey corporation (the "Borrower") and delivered to Bank of America, N.A. (the "Bank"), and the Uncommitted Line of Credit Letter Agreement, dated May 1, 2008, between the Borrower and Bank (the "Letter Agreement"). The obligations to the Bank are guaranteed by Middlesex Water Company (the "Guarantor") under Continuing and Unconditional Guaranty, dated July 22, 2008 (the "Guaranty"). The Note, Letter Agreement, Guaranty, and any and all other documents, instruments, and agreements executed in connection therewith are referred to herein as the "Loan Documents". Capitalized terms used herein shall have the meaning ascribed to them in the Loan Documents.

The Borrower has requested that the Note, the Letter Agreement, and all documents, instruments, agreements and amendments that evidence, govern or secure the Note (together with the Note, and the Loan Documents) be modified for the purpose of extending the Maturity Date (as such term is defined in the Loan Documents) and the Bank has agreed to such extension.

The Bank agrees that the Maturity Date as set forth in the Loan Documents shall be extended from May 30, 2011 to May 30, 2012.

Upon (a) the execution and delivery of this Letter Agreement by the Borrower and (b) receipt by the Bank of any unpaid payments under the Loan Documents, if any, through but not including the date of the execution and delivery of this letter and the extension set forth in this letter shall be effective and enforceable against the Borrower and Guarantor. Nothing herein contained or implied shall be construed as a waiver of any other provision of the Loan Documents or any other document executed in connection with the Loan Documents or a waiver of any presently existing or future default in the non-payment of principal and/or interest or any other amounts due under the Loan Documents.

Bank of America, N.A., NJ6-502-03-08
750 Walnut Avenue, Cranford, NJ 07016

Member FDIC

Each of the Borrower and the Guarantor hereby warrants and represents that the representations and warranties contained in the Loan Documents continue to be true and correct and that no event of default, and no event which with the giving of notice or lapse of time or both would become an event of default, has occurred or is continuing under the Loan Documents. The Borrower acknowledges that as of the date hereof there are no offsets, defenses, claims, counterclaims, charges or deductions of any nature against amounts due and owing under the Note or against the Bank or any of its officers, directors or employers.

The Borrower and the Guarantor hereby ratify and confirm all respects and without condition all of the terms and provisions of the Loan Documents, as modified herein, as applicable, and each agrees that said terms and provisions, except to the extent expressly modified herein, continue in full force and effect.

This letter shall be binding upon the Borrower and each endorser and guarantor of the Loan Documents (including the Guarantor) and their respective successors, heirs and assigns and shall inure to the benefit of the Bank and its successors and assigns. This Agreement shall take effect as a sealed instrument and shall be governed by the laws of the State of New Jersey.

In no event shall this letter agreement constitute or be construed as a waiver or release of the obligations of any maker, guarantor, endorser or other person liable for the Borrower's obligations under the Note, and the obligations of such parties shall remain in full force and effect.

If this letter extending the Maturity Date is acceptable, please acknowledge below and return the acknowledged copy to me.

If you have any questions, please contact me.

Sincerely,

BANK OF AMERICA, N.A.

By: /s/ Lori A. Moylan

NAME: Lori A. Moylan

TITLE: Senior Vice President

This letter is agreed to by:

WITNESS:

/s/Kenneth J. Quinn
Secretary

**UTILITY SERVICE AFFILIATES (PERTH
AMBOY) INC.**

By: /s/A. Bruce O'Connor
NAME:
TITLE: VP

GUARANTOR:

MIDDLESEX WATER COMPANY

By: /s/ A. Bruce O'Connor
NAME:
TITLE: VP & CFO

Middlesex Water Company

Subsidiaries

	Jurisdiction of Organization
Tidewater Utilities, Inc.	Delaware
Tidewater Environmental Services, Inc.	Delaware
Pinelands Water Company	New Jersey
Pinelands Wastewater Company	New Jersey
Utility Service Affiliates (Perth Amboy) Inc.	New Jersey
Utility Service Affiliates, Inc.	New Jersey
Twin Lakes Utilities, Inc.	Pennsylvania

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 No. 333-160757 and No. 333-166425 and Form S-8 No. 333-156269 of Middlesex Water Company of our reports dated March 8, 2012 relating to the consolidated financial statements and the effectiveness of Middlesex Water Company's internal control over financial reporting, which appear in this Form 10-K.

/s/ParenteBeard LLC

Reading, Pennsylvania
March 8, 2012

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

I, Dennis W. Doll, certify that:

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

/s/Dennis W. Doll

Dennis W. Doll
Chief Executive Officer

Date: March 8, 2012

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

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

Date: March 8, 2012

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

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

/s/Dennis W. Doll

Dennis W. Doll
Chief Executive Officer

Date: March 8, 2012

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

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

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

/s/A. Bruce O'Connor

A. Bruce O'Connor
Chief Financial Officer

Date: March 8, 2012

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.
