

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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

For Quarter Ended: March 31, 2002

Commission File
No. 0-422

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

INCORPORATED IN NEW JERSEY

(State or other jurisdiction of
incorporation or organization)

22-1114430

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

1500 RONSON ROAD, ISELIN, NJ

(Address of principal executive offices)

08830

(Zip Code)

(732) 634-1500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that this registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 30 days.

YES NO

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

Class -----	Outstanding at March 31, 2002 -----
Common Stock, No Par Value	7,659,344

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MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2002 ----	2001 ----	2002 ----	2001 ----
Operating Revenues	\$14,229,403	\$13,143,898	\$60,723,650	\$54,639,352
Operating Expenses:				
Operations	7,213,568	7,022,231	29,212,127	27,813,186
Maintenance	657,564	622,369	2,753,784	2,498,941
Depreciation	1,295,718	1,249,845	5,097,272	4,804,646
Other Taxes	1,851,660	1,702,997	7,789,069	6,966,568
Federal Income Taxes	698,905	474,936	3,937,614	2,597,625
Total Operating Expenses	11,717,415	11,072,378	48,789,866	44,680,966
Operating Income	2,511,988	2,071,520	11,933,784	9,958,386
Other Income:				
Allowance for Funds Used During Construction	70,283	15,905	193,987	133,890
Other - Net	27,913	71,159	319,105	262,596
Total Other Income	98,196	87,064	513,092	396,486
Income Before Interest Charges	2,610,184	2,158,584	12,446,876	10,354,872
Interest Charges	1,333,478	1,274,934	5,100,836	5,072,278
Net Income	1,276,706	883,650	7,346,040	5,282,594
Preferred Stock Dividend Requirements	63,697	63,697	254,786	254,786
Earnings Applicable to Common Stock	\$ 1,213,009	\$ 819,953	\$ 7,091,254	5,027,808
Earnings per share of Common Stock:				
Basic	\$ 0.16	\$ 0.11	\$ 0.93	\$ 0.67
Diluted	\$ 0.16	\$ 0.11	\$ 0.93	\$ 0.67
Average Number of Common Shares Outstanding :				
Basic	7,639,843	7,578,897	7,613,209	7,550,765
Diluted	7,897,198	7,836,252	7,870,564	7,808,120
Cash Dividends Paid per Common Share	\$ 0.210	\$ 0.207	\$ 0.833	\$ 0.820

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	March 31, 2002 ----- (Unaudited)	December 31, 2001 -----
UTILITY PLANT:		
Water Production	\$ 70,116,500	\$ 69,636,415
Transmission and Distribution	146,617,145	145,409,761
General	20,852,737	20,797,621
Construction Work in Progress	5,732,869	3,890,406
	-----	-----
TOTAL	243,319,251	239,734,203
Less Accumulated Depreciation	44,711,989	43,670,744
	-----	-----
UTILITY PLANT-NET	198,607,262	196,063,459
	-----	-----
NONUTILITY ASSETS-NET	3,030,868	2,996,119
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	3,090,094	4,534,384
Temporary Cash Investments-Restricted	8,031,185	9,210,283
Accounts Receivable (net of allowance for doubtful accounts)	5,425,643	6,665,720
Unbilled Revenues	2,976,667	2,801,015
Materials and Supplies (at average cost)	1,113,557	1,027,920
Prepayments and Other Current Assets	712,913	869,693
	-----	-----
TOTAL CURRENT ASSETS	21,350,059	25,109,015
	-----	-----
DEFERRED CHARGES:		
Unamortized Debt Expense	3,448,815	2,873,976
Preliminary Survey and Investigation Charges	910,723	943,622
Regulatory Assets		
Income Taxes	6,038,474	6,038,474
Post Retirement Costs	933,916	955,468
Other	1,420,707	1,393,540
	-----	-----
TOTAL DEFERRED CHARGES	12,752,635	12,205,080
	-----	-----
TOTAL	\$235,740,824	\$236,373,673
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	March 31, 2002 ----- (Unaudited)	December 31, 2001 -----
CAPITALIZATION (see accompanying statements)	\$164,765,234	\$164,493,833
	-----	-----
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	405,436	358,836
Notes Payable	11,625,000	13,225,000
Accounts Payable	2,134,051	2,396,335
Taxes Accrued	8,374,961	6,330,877
Interest Accrued	850,197	1,813,896
Other	1,477,810	1,845,642
	-----	-----
TOTAL CURRENT LIABILITIES	24,867,455	25,970,586
	-----	-----
DEFERRED CREDITS:		
Customer Advances for Construction	10,823,228	10,789,513
Accumulated Deferred Investment Tax Credits	1,912,762	1,932,416
Accumulated Deferred Federal Income Taxes	12,716,937	12,716,171
Employee Benefit Plans	5,414,549	5,262,676
Other	1,100,176	1,084,590
	-----	-----
TOTAL DEFERRED CREDITS	31,967,652	31,785,366
	-----	-----
CONTRIBUTIONS IN AID OF CONSTRUCTION	14,140,483	14,123,888
	-----	-----
TOTAL	\$235,740,824	\$236,373,673
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	March 31, 2002 ---- (Unaudited)	December 31, 2001 ----
CAPITALIZATION:		
Common Stock, No Par Value		
Shares Authorized, 10,000,000		
Shares Outstanding - 2002 - 7,659,344; 2001 - 7,626,002	\$ 50,873,002	\$ 50,099,621
Retained Earnings	21,797,612	22,190,691
	-----	-----
TOTAL COMMON EQUITY	72,670,614	72,290,312
	-----	-----
Cumulative Preference Stock, No Par Value		
Shares Authorized, 100,000; Shares Outstanding, None		
Cumulative Preferred Stock, No Par Value, Shares Authorized - 140,497		
Convertible:		
Shares Outstanding, \$7.00 Series - 14,881	1,562,505	1,562,505
Shares Outstanding, \$8.00 Series - 12,000	1,398,857	1,398,857
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1,017	101,700	101,700
Shares Outstanding, \$4.75 Series - 10,000	1,000,000	1,000,000
	-----	-----
TOTAL CUMULATIVE PREFERRED STOCK	4,063,062	4,063,062
	-----	-----
Long-term Debt:		
8.05% Amortizing Secured Note, due December 20, 2021	3,249,762	3,264,536
4.00% State Revolving Trust Bond, due September 1, 2021	850,000	850,000
0.00% State Revolving Fund Bond, due September 1, 2021	750,000	750,000
First Mortgage Bonds:		
7.25%, Series R, due July 1, 2021	--	6,000,000
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
5.35%, Series W, due February 1, 2038	23,000,000	23,000,000
0.00%, Series X, due August 1, 2018	903,168	917,363
4.53%, Series Y, due August 1, 2018	1,055,000	1,055,000
0.00%, Series Z, due September 1, 2019	1,989,064	2,022,396
5.25%, Series AA, due September 1, 2019	2,350,000	2,350,000
0.00%, Series BB, due September 1, 2021	2,350,000	2,350,000
4.00%, Series CC, due September 1, 2021	2,440,000	2,440,000
5.10%, Series DD, due January 1, 2032	6,000,000	--
	-----	-----
SUBTOTAL LONG-TERM DEBT	88,436,994	88,499,295
	-----	-----
Less: Current Portion of Long-term Debt	(405,436)	(358,836)
	-----	-----
TOTAL LONG-TERM DEBT	88,031,558	88,140,459
	-----	-----
TOTAL CAPITALIZATION	\$ 164,765,234	\$ 164,493,833
	=====	=====
	-----	-----
	Three Months Ended March 31, 2002 ---- (Unaudited)	Year Ended December 31, 2001 ----
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$ 22,190,691	\$ 21,796,707
Net Income	1,276,706	6,952,984
	-----	-----
TOTAL	23,467,397	28,749,691
	-----	-----
Cash Dividends:		
Cumulative Preferred Stock	63,697	254,786
Common Stock	1,602,400	6,304,214
Common Stock Expenses	3,688	--
	-----	-----
TOTAL DEDUCTIONS	1,669,785	6,559,000
	-----	-----
BALANCE AT END OF PERIOD	\$ 21,797,612	\$ 22,190,691
	=====	=====

See Notes to Consolidated Financial Statements

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2002 ----	2001 ----	Twelve Months Ended March 31, 2002 ----	2001 ----
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	\$ 1,276,706	\$ 883,650	\$ 7,346,040	\$ 5,282,594
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	1,392,152	1,326,079	5,369,609	5,032,106
Provision for Deferred Income Taxes	766	(44,195)	363,933	122,299
Allowance for Funds Used During Construction	(70,283)	(15,905)	(193,987)	(133,890)
Changes in Current Assets and Liabilities:				
Accounts Receivable	1,240,077	(330,564)	187,717	(423,022)
Accounts Payable	(262,284)	(550,351)	245,740	(45,716)
Accrued Taxes	2,044,084	1,698,302	626,337	592,705
Accrued Interest	(963,699)	(1,083,430)	136,107	(12,655)
Unbilled Revenues	(175,652)	329,033	(336,657)	46,552
Employee Benefit Plans	151,873	229,162	527,023	(13,523)
Other-Net	(371,978)	(128,281)	9,882	(352,024)
	-----	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,261,762	2,313,500	14,281,744	10,095,426
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Utility Plant Expenditures*	(3,803,987)	(1,283,172)	(15,267,847)	(12,262,310)
Note Receivable	--	(8,000)	105,500	(41,000)
Preliminary Survey and Investigation Charges	32,899	(226,949)	(110,646)	(328,762)
Other-Net	(5,366)	(75,658)	573,295	(799,333)
	-----	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(3,776,454)	(1,593,779)	(14,699,698)	(13,431,405)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Redemption of Long-term Debt	(6,062,301)	(61,542)	(6,216,618)	(240,340)
Proceeds from Issuance of Long-term Debt	6,000,000	--	12,390,000	--
Short-term Bank Borrowings	(1,600,000)	975,000	4,600,000	4,525,000
Deferred Debt Issuance Expenses	(600,301)	--	(611,741)	(41,617)
Temporary Cash Investments-Restricted	1,179,098	217,211	(5,428,735)	2,998,994
Proceeds from Issuance of Common Stock-Net	769,693	324,678	1,706,150	1,233,375
Payment of Common Dividends	(1,602,400)	(1,565,712)	(6,340,902)	(6,189,310)
Payment of Preferred Dividends	(63,697)	(63,697)	(254,786)	(254,786)
Construction Advances and Contributions-Net	50,310	140,769	481,098	690,585
	-----	-----	-----	-----
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,929,598)	(33,293)	324,466	2,721,901
	-----	-----	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,444,290)	686,428	(93,488)	(614,078)
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,534,384	2,497,154	3,183,582	3,797,660
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,090,094	\$ 3,183,582	\$ 3,090,094	\$ 3,183,582
	=====	=====	=====	=====
* Excludes Allowance for Funds Used During Construction				
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:				
Cash Paid During the Period for:				
Interest (net of amounts capitalized)	\$ 2,217,732	\$ 2,311,016	\$ 4,686,925	\$ 4,787,960
Income Taxes	\$ 60,000	\$ 125,000	\$ 3,609,792	\$ 2,102,100

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Organization - Middlesex Water Company (Middlesex) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater), Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy) Inc. (USA-PA) and Bayview Water Company. Southern Shores Water Company, LLC and White Marsh Environmental Systems, Inc. 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 intercompany accounts and transactions have been eliminated.

The consolidated notes accompanying the 2001 Form 10-K are applicable to this report and, in the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 2002 and the results of operations and its cash flows for the periods ended March 31, 2002 and 2001. Information included in the Balance Sheet as of December 31, 2001, has been derived from the Company's audited financial statements included in its annual report on Form 10-K for the year ended December 31, 2001.

Note 2 - Regulatory Matters

Base Rate Cases - On January 25, 2002, Tidewater filed for a 24.0% or \$1.5 million phased-in rate increase. Although the financial information submitted in its petition supports a 30.8% increase, Tidewater has requested the lower amount and a three-phase increase in an attempt to reduce potential rate shock to its customers. The first phase increase of 8.0% was implemented under the interim rate rules on April 1, 2002. Three separate Public Comment Sessions were held in April 2002. These meetings afford our customers the opportunity to express their opinions, which become part of the legal record, on the rate increase as well as water quality and the operations of the water systems. Evidentiary hearings have been scheduled for the mid-July 2002. Tidewater hopes to receive a decision early in the fourth quarter of 2002.

All parties to the Bayview base rate case have agreed to settle the matter prior to evidentiary hearings. This settlement, which still must be approved by the New Jersey Board of Public Utilities (BPU), calls for a six-part phase-in over a thirteen month period of a 120.3% increase or \$0.1 million of additional revenues. This rate increase is needed to support the cost for replacement of the entire water distribution system in Fortescue, New Jersey. This matter, which was initiated in December 2001, is expected to be completed in June 2002.

Note 3 - Capitalization

Common Stock - During the three months ended March 31, 2002, there were 33,342 common shares (\$0.7 million) issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan. The increase in participation in this Plan can be attributed to the 5% discount on optional cash payments and reinvested dividends that began on March 1, 2002. The discount is scheduled to continue until the earlier of August 1, 2002 or when 100,000 shares are issued during the discount period.

Long-term Debt - On February 6, 2002, Middlesex issued its \$6.0 million, 5.10%, Series DD First Mortgage Bonds. The proceeds were used to redeem and retire the \$6.0 million, 7.25%, Series R First Mortgage Bonds on March 5, 2002.

Note 3 - Capitalization (cont'd.)

Bayview has submitted its financial application with the New Jersey State Revolving Fund to borrow up to \$750,000 for the design and construction of an elevated water storage tank. This financing, which also requires New Jersey Board of Public Utilities approval, is scheduled to be completed in November 2002.

Note 4 - Earnings Per Share

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

	(In Thousands Except for per Share Amounts)							
	Three Months Ended March 31		Three Months Ended March 31		Twelve Months Ended March 31		Twelve Months Ended March 31	
Basic:	2002 Income	Shares	2001 Income	Shares	2002 Income	Shares	2001 Income	Shares
Net Income	\$ 1,277	7,640	\$ 884	7,579	\$ 7,346	7,613	\$ 5,283	7,551
Preferred Dividend	(64)		(64)		(255)		(255)	
Earnings Applicable to Common Stock	\$ 1,213	7,640	\$ 820	7,579	\$ 7,091	7,613	\$ 5,028	7,551
Basic EPS	\$ 0.16		\$ 0.11		\$ 0.93		\$ 0.67	
Diluted:								
Earnings Applicable to Common Stock	\$ 1,213	7,640	\$ 820	7,579	\$ 7,091	7,613	\$ 5,028	7,551
\$7.00 Series Dividend	26	134	26	134	104	134	104	134
\$8.00 Series Dividend	24	123	24	123	96	123	96	123
Adjusted Earnings Applicable to Common Stock	\$ 1,263	7,897	\$ 870	7,836	\$ 7,291	7,870	\$ 5,228	7,808
Diluted EPS	\$ 0.16		\$ 0.11		\$ 0.93		\$ 0.67	

Note 5 - Business Segment Data

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

(Thousands of Dollars)

Operations by Segments:	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2002	2001	2002	2001

Revenues:				
Regulated	\$ 12,527	\$ 11,410	\$ 53,412	\$ 47,752
Non - Regulated	1,711	1,743	7,347	6,923
Inter-segment Elimination	(9)	(9)	(36)	(36)
Consolidated Revenues	\$ 14,229	\$ 13,144	\$ 60,723	\$ 54,639

Operating Income:				
Regulated	\$ 2,456	\$ 2,020	\$ 11,527	\$ 9,576
Non - Regulated	56	52	406	382
Inter-segment Elimination	--	--	--	--
Consolidated Operating Income	\$ 2,512	\$ 2,072	\$ 11,933	\$ 9,958

Depreciation/Amortization:				
Regulated	\$ 1,287	\$ 1,236	\$ 5,046	\$ 4,748
Non - Regulated	9	14	51	57
Inter-segment Elimination	--	--	--	--
Consolidated				
Depreciation/Amortization	\$ 1,296	\$ 1,250	\$ 5,097	\$ 4,805

Other Income:				
Regulated	\$ 422	\$ 236	\$ 1,959	\$ 1,311
Non - Regulated	34	50	46	57
Inter-segment Elimination	(358)	(199)	(1,492)	(972)
Consolidated Other Income	\$ 98	\$ 87	\$ 513	\$ 396

Interest Expense:				
Regulated	\$ 1,581	\$ 1,482	\$ 6,006	\$ 5,790
Non - Regulated	13	14	55	49
Inter-segment Elimination	(261)	(221)	(960)	(767)
Consolidated Interest Expense	\$ 1,333	\$ 1,275	\$ 5,101	\$ 5,072

Net Income:				
Regulated	\$ 1,298	\$ 774	\$ 7,481	\$ 5,097
Non - Regulated	76	88	397	391
Inter-segment Elimination	(97)	22	(532)	(206)
Consolidated Net Income	\$ 1,277	\$ 884	\$ 7,346	\$ 5,282

Capital Expenditures:				
Regulated	\$ 3,760	\$ 1,249	\$ 15,161	\$ 12,124
Non - Regulated	44	34	107	138
Inter-segment Elimination	--	--	--	--
Total Capital Expenditures	\$ 3,804	\$ 1,283	\$ 15,268	\$ 12,262

	As of	As of		
	March 31,	December 31,		
	2002	2001		
Assets:				
Regulated	\$265,410	\$264,601		
Non - Regulated	3,566	3,858		
Inter-segment Elimination	(33,235)	(32,085)		
Consolidated Assets	\$235,741	\$236,374		

Note 6 - Intangible Assets

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002. Under SFAS No. 142, goodwill is considered a nonamortizable asset and will be subject to an annual review for impairment and when other events or circumstances indicate an impairment may have occurred. The Company has recorded the excess of the purchase price over the historical cost of regulated water utility property as an acquisition adjustment, which is consistent with SFAS No.71, "Accounting for the Effects of Certain Types of Regulation". Approximately \$0.7 million of the \$2.4 million balance of unamortized acquisition adjustments at January 1, 2002 is currently recoverable in rates. Therefore, under SFAS No. 71, the Company will continue to amortize the associated remaining balance. Amortization on the \$1.7 remaining million has ceased as of January 1, 2002. Even though the Company is not recovering \$1.7 million through its rates, it does not believe those assets are impaired. As part of those acquisitions, wide area water utility franchises were among the assets acquired by the Company. These franchises are located in the growth corridors in Kent and Sussex County, Delaware.

The following table shows the effect on Net Income and Earnings Per Share as if this accounting standard had been adopted for all periods reflected in this report.

	(In Thousands Except		per Share Amount)	
	Three Months Ended		Twelve Months Ended	
	March 31,		March 31,	
	2002	2001	2002	2001
	----	----	----	----
Net Income	\$1,277	\$ 884	\$ 7,346	\$ 5,283
Acquisition Adjustment	--	10	--	41
	-----	-----	-----	-----
As Adjusted	\$1,277	\$ 894	\$ 7,346	\$ 5,324
	=====	=====	=====	=====
Basic Earnings Per Share	\$ 0.16	\$ 0.11	\$ 0.93	\$ 0.67
Acquisition Adjustment	--	--	--	0.01
	-----	-----	-----	-----
As Adjusted	\$ 0.16	\$ 0.11	\$ 0.93	\$ 0.68
	=====	=====	=====	=====
Diluted Earnings Per Share	\$ 0.16	\$ 0.11	\$ 0.93	\$ 0.67
Acquisition Adjustment	--	--	--	0.01
	-----	-----	-----	-----
As Adjusted	\$ 0.16	\$ 0.11	\$ 0.93	\$ 0.68
	=====	=====	=====	=====

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

Results of Operations - Three Months Ended March 31, 2002

Operating revenues for the three months ended March 31, 2002 were up \$1.1 million or 8.26% from the same period in 2001. Higher base rates in our New Jersey and Delaware service territories provided \$0.9 million of the increase. Lower consumption in our New Jersey systems were offset completely by revenues from customer growth within existing systems in Delaware. The acquisition of Bayview and Southern Shores generated the remaining revenue increase of \$0.2 million.

Operating expenses increased \$0.6 million or 5.83%. Operations and maintenance expenses increased \$0.2 million or 3.0% over the prior period. Depreciation expense increased 3.7% over the same period from last year. Plant improvements amounted to \$10.7 million over the last twelve months.

Other taxes rose \$0.1 million due to higher revenue related taxes on additional revenues from our regulated New Jersey operations and increased real estate taxes in both New Jersey and Delaware. Federal income taxes rose 47.2%, reflecting a higher amount of current taxable income.

Interest charges rose 4.59% due to a higher level of long-term and short-term debt outstanding during the quarter. Lower interest rates on the short-term debt helped reduce the level of the increase.

Net income grew by 44.5% to \$1.3 million.

Results of Operations - Twelve Months Ended March 31, 2002

Operating revenues for the twelve months ended March 31, 2002 were up \$6.1 million to \$60.7 million. Higher consumption in all our service territories provided \$1.9 million of additional revenue. Fueling the consumption growth in Delaware was the 9.0% increase in the customer base since March 2001. Rate increases accounted for \$3.4 million. Service fees from our operations and maintenance contracts rose \$0.4 million due to an increase in fixed fees earned under the City of Perth Amboy contract. The \$0.4 million balance of the increase is the result of the acquisition of the Bayview and Southern Shores water utilities.

Operating expenses increased \$4.1 million or 9.2%. Maintenance costs increased by \$0.3 million due to the inclusion of costs of \$0.1 million associated with the Bayview and Southern Shores systems as well as higher repair costs in our Middlesex system and contract operations. Depreciation expense increased \$0.3 million or 6.1% as a result of utility plant additions of \$21.7 million since March 2000.

Other taxes increased by \$0.8 million due to higher revenue related taxes from our regulated New Jersey operations and increased real estate taxes in both New Jersey and Delaware. Federal income taxes rose \$1.3 million or 51.6% as a result of the higher amount of taxable income.

Other income rose \$0.1 million due in part to a one-time gain of \$0.3 million on the sale of excess land by a small investor owned utility in Southern Delaware. Middlesex is a 23% equity owner of that utility. Offsetting that gain were lower earnings on short-term investments.

Net income increased 39.1% to \$7.3 million. Basic and diluted earnings per share jumped by 39.0% to \$0.93 per share.

Capital Resources

The Company's capital program for 2002 is estimated to be \$23.2 million and includes \$12.6 million for water system additions and improvements for our Delaware systems, \$2.5 million for the RENEW Program, which is our program to clean and cement line approximately nine miles of unlined mains in the Middlesex System. There is a total of approximately 150 miles of unlined mains in the 730 mile Middlesex System. Additional expenditures on the upgrade to the CJO Plant are estimated at \$1.6 million. The capital program also includes \$6.5 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$2.4 million for mains, \$0.9 million for service lines, \$0.3 million for meters, \$0.3 million for hydrants, \$0.1 million for computer systems and \$2.5 million for various other items.

Liquidity

The capital program in Delaware will be financed through a combination of a capital contribution and short-term debt financing from Middlesex, as well as long-term financing through the State Revolving Fund (SRF) in Delaware. Middlesex, Tidewater and Bayview each have secured long-term financing with their respective state agencies for certain capital projects. SRF provides low cost financing for projects that meet certain water quality improvement benchmarks. The proceeds from those loans will be used in 2002 through 2004. See Note 3 to the Consolidated Financial Statements. Other capital expenditures will be financed through internally generated funds and sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan (DRP). Capital expenditures of \$3.8 million have been incurred in the three months ended March 31, 2002. The Company will also utilize short-term borrowings through \$30.0 million of available lines of credit it has with three commercial banks for working capital purposes. At March 31, 2002, there was \$11.6 million outstanding against the lines of credit.

Outlook

For the second time in three years, the State of New Jersey has declared a drought emergency and issued water restrictions in our New Jersey service territories. Significantly different from the 1999 restrictions is the identification of six drought regions in the State. Middlesex County, where a significant portion of our sales take place, is in one of two regions that are under less severe water use restrictions than the rest of New Jersey. Although personal car washing and pavement cleaning with water are banned, our customers are permitted to water lawns on an odd-even day system. Customers in our Pinelands and Bayview systems are restricted further to lawn watering only on two weekdays. Water restrictions will impact revenues and earnings.

Even though recent precipitation in April has been above normal levels, the New Jersey Department of Environmental Protection (DEP) and the Board of Public Utilities continues to develop plans to divert water supplies from areas where there is abundant reserves to the severely affected areas of the state.

Middlesex derives more than 75% of its water supply from New Jersey Water Supply Authority's (NJWSA) Delaware and Raritan Canal as augmented by the Round Valley/Spruce Run Reservoir System. Because that reservoir system is currently at 85% capacity, the DEP approved the diversion of nineteen million gallons a day into the North Jersey Water District. We believe this underscores the strength and adequacy of the water supply that has been developed by the NJWSA for Central New Jersey. However, a return to below normal levels of precipitation could cause the DEP to further restrict water usage.

In Delaware, a drought warning has been declared by the Governor. Water users have been asked and are encouraged to conserve water. Tidewater, which operates south of the Delaware and Chesapeake Canal (D&C Canal), relies on well water for 100% of its water supply. The State of Delaware is primarily concerned about the larger surface water systems north of the D&C Canal, which draw their water from rivers and reservoirs. It is expected that drought-related conservation in Delaware will somewhat temper revenue increases from the projected 9% customer growth for 2002 as well as the 8% interim rate increase.

Forward Looking Information

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

Item 3. Quantitative and Qualitative Disclosures of Market Risk

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate, long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$0.4 million of the current portion of four existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings would not have a material effect on earnings.

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings
None.
- Item 2. Changes in Securities
None.
- Item 3. Defaults upon Senior Securities
None.
- Item 4. Submission of Matters to a Vote of Security Holders
None.
- Item 5. Other Information
None.
- Item 6. Exhibits and Reports on Form 8-K
(a) Exhibits: None.
(b) Reports on Form 8-K: Filed April 3, 2002

SIGNATURE

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

MIDDLESEX WATER COMPANY
(Registrant)

Date: May 14, 2002

/s/ A. Bruce O'Connor

A. Bruce O'Connor
Vice President and Controller