SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year ended December 31, 1994	Commission File No. 0-422

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

New Jersey	22-1114430
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1500 Ronson Road, Iselin, New Jersey	08830-3020
(Address of principal executive offices)	(Zip Code)

(908) 634-1500
(Registrant's telephone number, including area code)

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

Title of each Class	Name of each exchange on which registered
None	None

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

Common Stock, No par Value
(Title of Class)

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 __X__ . 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. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant at March 10, 1995 was $67,763,499 based on the closing market price of $16.75 per share.

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

Class	Outstanding at March 10, 1995
Common Stock, No par Value	4,045,582

Documents Incorporated by Reference

Annual Report to shareholders for fiscal year ended December 31, 1994, pages 10 through 21. Parts II and IV.

PART I

Item 1. Business

General

The Company has operated as a water utility in New Jersey since its organization in 1897 and is in the business of collecting, treating and distributing water for domestic, commercial, industrial and fire protection purposes in the State and, since 1992, in the State of Delaware through its acquisition of Tidewater Utilities, Inc. (Tidewater), as a wholly-owned subsidiary. The Company's system is completely metered, including contract sales, except for fire hydrant service. The rates charged by the Company for water services must be approved by regulatory authorities.

In October 1994, the Company signed a contract to purchase the assets of a 2,200 customer water utility and a 2,200 customer wastewater utility in Burlington County, New Jersey. The newly acquired systems will be called Pinelands Water Company and Pinelands Sewer Company. Approval is required by the BPU before the Company assumes ownership, which is expected by March 31, 1995. White Marsh Environmental Systems, Inc. (White Marsh), a wholly-owned subsidiary of Tidewater, was formed for the purpose of pursuing nonwater utility activities in Delaware.

Retail Sales

The Company provides water services to retail customers primarily in eastern Middlesex County, New Jersey. Water services are now furnished to approximately 53,000 retail customers located in an area of approximately 55 square miles of New Jersey in Woodbridge Township, the Boroughs of Metuchen and Carteret, portions of Edison Township and the Borough of South Plainfield in Middlesex County and, to a minor extent, a portion of the Township of Clark in Union County. The retail customers include a mix of residential customers, large industrial concerns and commercial and light industrial facilities. These retail customers are located in generally well developed areas of central New Jersey.

Tidewater provides water services to over 5,000 retail customers for domestic, commercial and fire protection purposes in over 75 community water systems located in Kent, Sussex and New Castle Counties in Delaware.

Contract Sales

The Company also provides water on a wholesale basis in New Jersey to the Township of Edison (Edison), the Borough of Highland Park (Highland Park), Old Bridge Municipal Utilities Authority (Old Bridge), the Borough of Sayreville (Sayreville) and the Marlboro Township Municipal Utilities Authority (Marlboro). Under special contract, the Company also provides water treatment and pumping services to the Township of East Brunswick (East Brunswick). East Brunswick, Old Bridge, Sayreville and Marlboro are within an area designated as the South River Basin Study Area.

The South River Basin Study Area refers to parts of southern Middlesex and northern Monmouth Counties addressed by a 1980's study conducted by the New Jersey Department of Environmental Protection (DEP). According to that study, ninety-five percent of the area's water supply was derived from groundwater sources that were being overpumped at that time and projected growth of the region would further over stress these groundwater resources. These conditions prompted the DEP to create Water Supply Critical Area No. 1 (Critical Area) covering portions of Middlesex, Monmouth and Ocean Counties and to promulgate mandatory reductions in groundwater withdrawals within the Critical Area. During the same mid-1980's time period, East Brunswick entered into a special contract with the Company and in 1986 began receiving water treatment and pumping services under that contract.

In 1986, as part of the State's South River Basin Feasibility Study, the Company outlined to the DEP and other interested parties a plan to construct facilities to ensure potable water supplies into this area through the year 2020. In connection with this project, the Company entered into long-term water supply agreements with Old Bridge, Marlboro and Sayreville, and DEP approved these agreements.

As an interim measure to address the immediate needs of this region, an agreement was reached between the Company and the City of Perth Amboy for the lease of a large diameter pipeline which extends from the northern shore of the Raritan River to central Old Bridge. This pipeline was rehabilitated, isolated from the Perth Amboy system and connected to the Company's system, and now provides a supply of the Company's water to substantial portions of the Critical Area (Old Bridge, Sayreville and Marlboro).

The South River Basin Transmission Main was scheduled to be constructed in three stages, designated Sections C, B, and A, to meet the increasing demands of the customers in the Critical Area. Section C, which was connected to Marlboro in 1991, comprises a 6.5 mile main extending the Company's system from the southern end of the Perth Amboy line to Marlboro Township in Monmouth County. The Company completed construction of Section B, a 5 mile extension northwest through Old Bridge to East Brunswick, that was operational in 1993. In 1993, an interconnecting pipeline was constructed by East Brunswick thereby providing for an alternative means of transporting water from the Carl J. Olsen Water Treatment Plant (CJO Plant) to the South River Basin customers. The Company currently anticipates that Section A will be constructed later this decade, when demands in the region grow, and will directly connect Sections B and C to the Company's CJO Plant in Edison.

Financial Information

The Company's consolidated operating revenues and operating income relating to the operating water utilities are as follows:

	(000's) Years Ended December 31,		
	1994	1993	1992
Operating Revenues	$36,122	$35,479	$30,861
Operating Income	$ 8,565	$ 8,225	$ 7,248

Operating revenues were derived from the following sources:

	Years Ended December 31,		
	1994	1993	1992
Residential	39.6%	39.6%	38.0%
Commercial	11.9	11.8	11.7
Industrial	18.3	18.3	19.6
Fire Protection	12.1	12.2	12.7
Contract Sales	17.5	17.6	17.7
Miscellaneous	0.6	0.5	0.3
TOTAL	100.0%	100.0%	100.0%

Water Supplies and Contracts

The Company's water utility plant consists of source of supply, pumping, water treatment, transmission, distribution and general facilities located in New Jersey and Delaware. The New Jersey and Delaware water supply systems are physically separate and are not interconnected.

The Company obtains water from both surface and groundwater sources. In 1994, surface sources of water provided approximately 63% of the Company's water supply, groundwater from wells provided approximately 32% and the balance of 5% was purchased from Elizabethtown Water Company (Elizabethtown), a nonaffiliated water utility. The Company's distribution storage facilities are used to supply water at times of peak demand and for outages and emergencies.

The principal source of surface supply in New Jersey is the Delaware and Raritan Canal (D&R Canal), owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority (NJWSA). The Company has contracts with the NJWSA to divert a maximum of 20 million gallons per day (mgd) of untreated water from the D&R Canal as augmented by the Round Valley/Spruce Run Reservoir System. In addition, the Company has a one-year agreement for an additional 5 mgd renewed through April 30, 1995. The Company also has an agreement with Elizabethtown, effective through December 31, 1995, which provides for the minimum purchase of 2 mgd of treated water with provisions for additional purchases.

Water is also derived from groundwater sources equipped with electric motor-driven deep-well turbine type pumps. The Company has 32 wells in New Jersey, which provide a pumpage capacity of approximately 23 mgd. These include the wells of the Park Avenue and Sprague Avenue Well Fields (with a pumpage capacity of over 12 mgd) which during 1993 were refurbished and retrofitted to insure compliance with water quality standards. See "Regulation - Water Quality and Environmental Regulations."

The Company's New Jersey groundwater sources are:

	No. of Wells	1994 Max. Day Pumpage (millions of gallons)	Capacity (mgd)	Location
Park Avenue	15	11.1	11.1	South Plainfield
Tingley Lane North	4	3.1	3.1	Edison
Tingley Lane South	5	2.6	2.6	Edison
Spring Lake	4	1.8	1.8	South Plainfield
Sprague Avenue #1	1	1.4	1.4	South Plainfield
Sprague Avenue #2	1	1.3	1.3	South Plainfield
Maple Avenue	1	1.3	1.3	South Plainfield
Thermal Well	1	0.2	0.2	Edison
	32			

Water supply to Delaware customers is derived from Tidewater's 72 wells, which provided overall system delivery of 283 mg during 1994. Tidewater does not have a central treatment facility. Several of the water systems in Sussex County have an interconnected transmission system. Construction has begun on a project to link several water systems in New Castle County. Tidewater currently has applications before the Delaware regulatory authorities for the approval of additional wells. Treatment is by chlorination and, in some cases, pH correction and filtration.

In the opinion of management, the Company has adequate sources of water supply and other facilities to meet current and anticipated future service requirements in New Jersey, and each of the Tidewater community water systems has adequate sources of water supply and other facilities to meet current and anticipated future service requirements within that water system area.

Competition

The business of the Company is substantially free from direct competition with other public utilities, municipalities and other public agencies. 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 award by the Delaware Department of Natural Resources and Environmental Control (DNREC) of franchises to other regulated water purveyors.

Regulation

The Company is subject to regulation as to its rates, services and other matters by the States of New Jersey and Delaware with respect to utility service within those states and with respect to environmental and water quality matters. The Company is also subject to regulation as to environmental and water quality matters by the United States Environmental Protection Agency (EPA).

Regulation of Rates and Services

The Company is subject to regulation by the New Jersey Board of Public Utilities (BPU), and Tidewater is similarly subject to regulation by the Delaware Public Service Commission (PSC), which regulatory authorities have jurisdiction with respect to rates, service, accounting procedures, the issuance of securities and other matters of utility companies operating within the States of New Jersey and Delaware, respectively. The Company and Tidewater, for ratemaking purposes, account separately for operations in New Jersey and in Delaware so as to facilitate independent ratemaking by the BPU for New Jersey operations and the PSC for Delaware operations.

Water Quality and Environmental Regulations

Both the EPA and the DEP regulate the Company's operation in New Jersey with respect to water supply, treatment and distribution systems and the quality of the water, as do the EPA and the DNREC with respect to operations in Delaware.

Federal, Delaware and New Jersey regulations adopted over the past five years relating to water quality require expanded types of testing by the Company to insure that its water meets State and Federal water quality requirements. In addition, the environmental regulatory agencies are reviewing current regulations governing the limits of certain organic compounds found in the water as by-products of treatment. The Company, as with many other water companies, participates 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 regulation and on the method selected to implement such reduction; however, the cost to the Company of complying with proposed regulations promulgated in light of some of the standards being discussed might, depending upon the treatment process selected, be as high as $10 million, based upon current estimates. The Company has already begun studies to evaluate alternative treatment processes for upgrading its treatment plant. The regular testing by the Company of the water it supplies shows that the Company is in compliance with existing Federal, New Jersey and Delaware water quality requirements.

As required by the Federal Safe Drinking Water Act (FSDWA), the EPA has established maximum contaminant levels (MCLs) for various substances found in drinking water. As authorized by similar state legislation, the DEP has set MCLs for certain substances which are more restrictive than the MCLs set by the EPA. In certain cases, the EPA and the DEP have also mandated that certain treatment procedures be followed in addition to satisfying MCLs established for specific contaminants. The DEP and the DNREC have assumed primacy for enforcing the FSDWA in New Jersey and Delaware, respectively, and, in that capacity, monitor the activities of the Company and review the results of water quality tests performed by the Company for adherence to applicable regulations.

Other regulations applicable to water utilities generally, including the Company, include the Lead and Copper Rule (LCR), the MCLs established for various volatile organic compounds (VOCs), the Federal Surface Water Treatment Rule, and the Total Coliform Rule.

The LCR requires the Company to test on a sample basis the quantity of lead and copper in drinking water at the customer's tap and, if certain contaminant levels (Action Levels) are exceeded, to notify customers, initiate a public information campaign advising customers how to minimize exposure to lead and copper, add corrosion inhibitors to water to minimize leaching of lead from piping, faucets and soldered joints into water consumed at the tap, and implement applicable source water treatment requirements. Tests taken within the Company's system yielded results well below the Action Levels.

VOCs, including primarily petro-chemicals, may percolate into groundwater aquifers from surface sources. The Company has found VOCs in excess of the applicable MCLs in certain of its wells and has constructed air stripping facilities which remove such contaminants from the water by venting them into the atmosphere. In 1990 the air stripping facility was complete at the Spring Lake Well Field. Construction of a similar facility was completed in 1993 and is operational to treat water from the Park Avenue and Sprague Avenue Well Fields, along with a 2 mg storage reservoir. To the extent that contamination in excess of applicable MCLs occurs at wells lacking air stripping and related facilities, the Company will consider building such facilities if feasible and cost effective. VOCs have not been identified in the Delaware wells.

Federal and State regulations and controls concerning water quality, pollution and the effluent from treatment facilities are still in the process of being developed, and it is not possible to predict the scope or enforceability of regulations or standards which may be established in the future, or the cost and effect of existing and potential regulations and legislation upon any of the existing and proposed facilities and operations of the Company. Further, recent and possible future developments with respect to the identification and measurement of various elements in water supplies and concern with respect to the impact of one or more of such elements on public health may in the future require the Company to replace or modify all or portions of their various water supplies, to develop replacement supplies and/or to implement new treatment techniques. In addition, the Company anticipates that threatened and actual contamination of water sources may become an increasing problem in the future. The Company has expended and may in the future be required to expend substantial amounts to prevent or remove said contamination or to develop alternative water supplies. Any such developments may increase operating costs and capital requirements. Since the rate regulation methodology of both the BPU and the PSC permits a utility to recover through rates prudently incurred expenses and investments in plant, based upon past BPU and PSC practice, the Company expects that all such expenditures and costs should ultimately be recoverable through rates for water service.

Employees

As of December 31, 1994, the Company had a total of 134 employees in New Jersey, and Tidewater had a total of 17 employees in Delaware. None of these employees is represented by a union. Management considers its relations with its employees to be satisfactory. Wages and benefits are reviewed annually and are considered competitive within the industry.

Item 2. Properties

The Company's water utility plant consists of source of supply, pumping, water treatment, transmission and distribution and general facilities.

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

Water is withdrawn from the D&R Canal at New Brunswick and processed for distribution by the Company. Its facilities consist of an intake and pumping station located on State-owned land bordering the Canal, a water treatment plant in Edison Township (CJO Plant) on property owned by the Company, 4,901 feet of 54-inch reinforced concrete water main connecting the CJO Plant and the intake and pumping station, 23,168 feet of 48-inch reinforced concrete transmission main connecting the water treatment plant to the Company's distribution pipe network, and related storage, pumping, control, laboratory and other facilities. The CJO Plant was placed into service in 1969.

The design capacity of the intake and pumping station in New Brunswick, New Jersey and the raw water main is 80 mgd. The four electric motor-driven vertical turbine pumps presently installed have an aggregate design capacity of 65 mgd. The station is designed to permit its pumping capacity to be increased to 80 mgd by the installation of additional pumping units without structural changes. The station has an emergency power supply provided by a diesel-driven generator which, in the event of a power failure, will automatically become the power source to provide uninterrupted water service.

The CJO Plant includes chemical storage and chemical feed equipment, dual-rapid mixing basins, four reinforced concrete mechanical flocculation compartments, four underground reinforced concrete settling basins, eight rapid filters containing gravel, sand and anthracite for water treatment and a steel wash-water tank. The nominal design capacity of the CJO Plant is 30 mgd (45 mgd maximum capacity). Provision has been made to increase the nominal design capacity to 60 mgd (90 mgd maximum capacity) by the future construction of additional treatment facilities. The Company is currently studying treatment technologies prior to making a decision on the expansion of this facility.

The main pumping station at the CJO Plant has a design capacity of 90 mgd. The four electric motor-driven vertical turbine pumps presently installed have an aggregate capacity of 65 mgd. The station is constructed so that an additional pumping unit can be installed without structural change.

In addition to the main pumping station at the CJO Plant, there is a l5 mgd auxiliary pumping station located in a separate building. It has a dedicated substation and emergency power supply provided by a diesel-driven generator. It pumps from the l0 mg reservoir directly into the distribution system.

The Company also owns property and other facilities located at the Robinson's Branch of the Rahway River. The storage facilities, consisting of an impounding reservoir, have been classified as nonutility plant. They are located in Clark Township, near the north central part of the territory served. The reservoir has a capacity of 232 mg and a tributary drainage area of approximately 25 square miles. There are no treatment facilities at this site.

The Company owns the properties on which its 32 wells are located. The Company owns its two-building headquarters complex at 1500 Ronson Road, Iselin, New Jersey, consisting of a 27,000 square foot, two-story office building and a 16,500 square foot maintenance facility. The Company's Delaware operations are managed from Tidewater's leased offices in Wilmington, Delaware. Tidewater expects to move into new leased offices during the second quarter of 1995. This property, which is owned by White Marsh, is a 1,600 square foot single story building located in Odessa, Delaware.

The Company's storage facilities consist of a 10 mg reservoir at the CJO Plant, 5 mg and 2 mg reservoirs in Edison (Grandview), 5 mg reservoir in Carteret (Eborn) and 2 mg reservoir at the Park Avenue Well Field.

Item 3. Legal Proceedings

A local entity and its owner have filed a negligence claim against the Company, for which the Company is insured, with a claim for punitive damages which may not be insured. Their action alleges financial losses arising out of improper water pressure and service. Without taking a position on the negligence claim, the Company does not believe that the claim for punitive damages will prevail. While the outcome of this case is not presently determinable, management believes that the final resolution will not have a significant effect on the Company's financial position or results of operations or cash flows. The Company had been named along with an officer in litigation where the plaintiff asserted that the Company's officer, acting in the course of his employment, defamed the plaintiff. A tentative settlement on this matter has been reached. Once finalized, the settlement will have no impact on the Company's financial position or results of operations or cash flows.

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

None.

PART II

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

Price Range of Common Stock

The following table shows the range of closing prices for the Common Stock on the NASDAQ Stock Market for the calendar quarter indicated.

1994	High	Low	Dividend
First Quarter	$21.25	$19.25	$0.26 1/4
Second Quarter	20.00	16.00	0.26 1/4
Third Quarter	18.25	15.75	0.26 1/4
Fourth Quarter	18.50	16.25	0.27

1993	High	Low	Dividend
First Quarter	$17.75	$16.75	$0.25
Second Quarter	18.00	16.75	0.25
Third Quarter	22.00	20.75	0.25
Fourth Quarter	19.75	17.00	0.26 1/4

Approximate Number of Equity Security Holders As of December 31, 1994

Title of Class	Number of Record Holders
Common Stock, No par Value	2,244
Cumulative Preferred Stock, No par Value:	
$7 Series	33
$4.75 Series	1
Cumulative Convertible Preferred Stock, No par Value:	
$7 Series	4

Dividends

The Company has paid dividends on its Common Stock each year since 1912. Although it is the present intention of the Board of Directors of the Company to continue to pay regular quarterly cash dividends on its Common Stock, 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.

The Common Stock of the Company is traded on the NASDAQ Stock Market under the symbol MSEX.

Item 6. Selected Financial Data

This information is incorporated herein by reference to the attached Exhibit 13, 1994 Annual Report to Shareholders, Page 21.

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

This information is incorporated herein by reference to the attached Exhibit 13, 1994 Annual Report to Shareholders, Pages 10 and 11.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and Independent Auditors' Report are incorporated herein by reference to the attached Exhibit 13, 1994 Annual Report to Shareholders, Pages 12 through 20. The supplementary data is included as indicated under Part IV, Item 14.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following information is provided with respect to each Director and Executive Officer of the Company.

Name	Age	Director Since	Term Expires	Position
Walter J. Brady	53	N/A	N/A	Vice President-Administration
Ernest C. Gere	62	1988	5/97	Senior Vice President & Chief Financial Officer
John P. Molnar	78	1975	12/31/94	Director
Stephen H. Mundy	61	1977	5/95	Director
Philip H. Reardon	58	1991	5/97	Director
Marion F. Reynolds	55	N/A	N/A	Vice President, Secretary and Treasurer
Richard A. Russo	49	12/1/94	5/95	Vice President-Operations
Carolina M. Schneider	76	1982	5/95	Director
William E. Scott	75	1978	5/96	Director
Jeffries Shein	54	1990	5/96	Director
Dennis G. Sullivan	53	N/A	N/A	Vice President and General Counsel, Assistant Secretary-Assistant Treasurer
J. Richard Tompkins	56	1981	5/96	Chairman of the Board and President
Joseph S. Yewaisis	55	1989	5/97	Director

Walter J. Brady, who joined the Company in 1962, was elected Assistant Secretary-Assistant Treasurer in 1979, Assistant Vice President in 1982, Vice President-Human Resources in 1987, and Vice President-Administration in 1989. He had served in the capacity of Manager of Accounting from 1977 to 1985. He is a Director of White Marsh Environmental Systems, Inc., Pinelands Water Company and Pinelands Sewer Company.

Ernest C. Gere who had been Vice President & Controller of the Company since 1978 was promoted to Senior Vice President & Controller in 1986 and is responsible for rate cases, cash management, financings, and pension benefit plans. He was employed by the Company from 1964 to 1970 and from 1976 to present. On January 1, 1992 he assumed the designated title of Senior Vice President & Chief Financial Officer. He is Treasurer and Director of Tidewater Utilities, Inc., Vice President and Director of Pinelands Water Company and Pinelands Sewer Company.

John P. Molnar had been President of Molnar Electrical Contractors, Woodbridge, New Jersey for over five years. A portion of that business was sold to Hatzel & Buehler, electrical contractors. He was a consultant for Hatzel & Buehler and retired in 1982. He is a Director Emeritus of First Savings Bank/SLA of Perth Amboy, New Jersey. He was designated Director Emeritus of Middlesex Water Company as of January 1, 1995.

Stephen H. Mundy has been Vice President of A. Stanley Mundy Inc., public utility contractors, Virginia Beach, Virginia, since 1985 and was a Partner of A. Stanley Mundy & Co.

Philip H. Reardon has been President and Chief Executive Officer of Essex County Gas Company, Amesbury, Massachusetts since December 1992, and prior to that date was President and Chief Executive Officer of New Jersey Natural Gas Company, Wall, New Jersey since 1987. He is a Director of Essex County Gas Company and New England Gas Association.

Marion F. Reynolds who had been Secretary-Treasurer since 1987 was elected Vice President, Secretary and Treasurer in 1993. Prior to her election she had been employed by Public Service Electric and Gas Company, Newark, New Jersey since 1958, and was elected Assistant Corporate Secretary in 1976. She is Secretary of Tidewater Utilities, Inc., and Secretary/Treasurer of Pinelands Water Company and Pinelands Sewer Company.

Richard A. Russo was elected in 1989 as Vice President-Operations with overall responsibility for engineering, water production, water treatment, and distribution maintenance. He was formerly employed by Trenton Water Works as General Superintendent and Chief Engineer since 1979. He is President and Director of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company and Pinelands Sewer Company. He is also a Director of New Jersey M.A.T.T.E.R.S (Municipalities Acting Together Toward Economic Recovery Solution).

Carolina M. Schneider, until her retirement in 1987, was Secretary-Treasurer of the Company since 1948.

William E. Scott, until his retirement in 1985, was Senior Executive Vice President of Public Service Electric and Gas Company (PSE&G), Newark, New Jersey since 1984 and had been Executive Vice President-Finance of PSE&G for over five years. He is a Director of Premier Benefit Management, Inc., and a Trustee of Delta Dental Plan of New Jersey, Inc.

Jeffries Shein is a Partner in the firm of Jacobson, Goldfarb & Tanzman Associates, a large industrial and commercial brokerage firm in New Jersey. He is a Director of First Savings Bank/SLA of Perth Amboy, New Jersey.

Dennis G. Sullivan was hired in 1984 as Corporate Attorney, responsible for general corporate internal legal matters. He was elected Assistant Secretary-Assistant Treasurer in 1988 and Vice President and General Counsel in 1990. He was employed in a private law practice from 1981 to 1984 as a staff attorney. He is Assistant Secretary and Assistant Treasurer and a Director of Tidewater Utilities, Inc., Vice President, Secretary and Director of White Marsh Environmental Systems, Inc., and a Director of Pinelands Water Company and Pinelands Sewer Company.

J. Richard Tompkins was elected President of the Company in 1981 and was elected Chairman of the Board in 1990. In 1979 he was employed by Associated Utility Services, an independent utility consulting firm in New Jersey, as Vice President. From 1962 to 1979 he was employed by Buck, Seifert & Jost, Incorporated, consulting engineers in New Jersey and was appointed Vice President in 1973. He is Chairman and Director of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company and Pinelands Sewer Company. He is also a Director of Raritan Bay Healthcare Foundation.

Joseph S. Yewaisis is Chairman of the Board and President of First Savings Bank/SLA of Perth Amboy, New Jersey and a Director. He is also a Director of Americas' Community Bankers, Financial Institutions Retirement Fund and Raritan Bay Healthcare Foundation.

Identification of Certain Significant Employees

1. A. Bruce O'Connor, age 36, was hired in 1990 as Assistant Controller and is responsible for tax and accounting matters. He was employed by Deloitte & Touche, a certified public accounting firm, from 1984 to 1990. In 1992, he was promoted to the position of Controller. He is also Controller of Tidewater Utilities, Inc. and Treasurer of White Marsh Environmental Systems, Inc.

2. Donald G. McCabe, age 59, was promoted to Director of Distribution in 1988. He is responsible for supervising maintenance of the Company's distribution system. He has been employed by the Company for 42 years in various positions and had been Manager of Distribution from 1977 to 1988.

3. Richard M. Risoldi, age 38, was hired in 1989 as Director of Production and is responsible for operation and maintenance of water production facilities. He was formerly employed by Trenton Water Works as Chief of Water Quality since 1986, and prior to that, held various positions with the North Jersey District Water Supply Commission and Trenton Water Works for over five years. He is also Vice President of Pinelands Water Company and Pinelands Sewer Company.

Item 11. Executive Compensation

There is shown below information concerning the annual and long-term compensation for services in all capacities to the Company for the years 1994, 1993 and 1992 of those officers whose total annual salary amounted to $100,000 or more.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary $	Other Annual Compensation (1) $	Restricted Stock Awards (2) $	All Other Annual Compensation (3) $
J. Richard Tompkins	1994	208,350	7,491	22,855	7,280
Chairman of the Board	1993	190,150	6,771	18,075	6,720
and President	1992	175,787	5,464	33,375	6,141
Ernest C. Gere	1994	128,323	7,073	13,060	4,480
Senior Vice President &	1993	119,350	6,042	9,038	4,235
Chief Financial Officer	1992	115,325	6,113	7,265	4,025
Richard A. Russo	1994	121,504	3,236	13,060	4,249
Vice President-	1993	110,350	2,676	12,653	3,850
Operations	1992	97,131	2,362	13,350	3,317
Walter J. Brady	1994	107,350	2,881	9,795	3,745
Vice President-	1993	101,350	2,828	9,038	3,535
Administration	1992	97,557	2,775	7,265	3,325

(1) Includes Auto Allowance and Group Life Insurance for all officers and Directors Fees for Messrs. Tompkins, Gere and Russo.
(2) The number and value of Restricted Stock held in escrow as of December 31, 1994 were as follows: Mr. Tompkins - 9,000/$131,980; Mr. Gere - 4,100/$59;413, Mr. Russo - 4,500/$66,688; and Mr. Brady - 3,900/$56,148. Generally, the restrictions lapse on these awards five years from the date of grant. The restrictions also lapse in the event of a change in control of the Company. All dividends on these shares are paid to the awardees.
(3) Employer contribution to the Company's Savings and Investment Plan.

COMPENSATION PURSUANT TO PENSION PLANS*
Annual Benefit based on Compensation and Years of Service

Average Annual Compensation	Years of Service 15	20	25	30	35	45
$ 80,000	$20,402	$27,202	$34,003	$40,803	$47,604	$ 57,604
$ 90,000	$23,252	$31,002	$38,753	$46,503	$54,254	$ 65,504
$100,000	$26,102	$34,802	$43,503	$52,203	$60,904	$ 73,404
$125,000	$33,227	$44,302	$55,378	$66,453	$77,529	$ 93,154
$150,000	$40,352	$53,802	$67,253	$80,703	$94,154	$112,904

* Annual Compensation Capped at $150,000.

All employees who receive pay for 1,000 hours during the year are included in the Plan. Under the noncontributory trusteed defined benefit plan current service costs are funded annually. The Company's annual contribution is determined on an actuarial basis. Benefits are measured from the member's entry date and accrue to normal retirement date or date of early retirement. Benefits are calculated, at normal retirement, at 1.25% of pay up to the Executive's benefit integration level, plus 1.9% of such excess pay, multiplied by service to normal retirement date, capped at 35 years of such excess pay, multiplied by service to normal retirement date of age 65. Average pay is the highest annual average of total pay during any 5 consecutive years within the 10 calendar-year period prior to normal retirement date. The benefit integration level is based on the 1994 Summary Compensation Table. The benefit amounts are not subject to any deduction for Social Security benefits or other offset amounts.

During the year 1994, the Company made a contribution to the Pension Plan in the amount of $275,000. The range of the permissible Plan contribution was $253,000 to $287,000. Remuneration covered under the Pension Plan includes base wages only and not Directors' fees.

The estimated credited years of service based on normal retirement at age 65 includes 22 years, 21 years, 20 years and 44 years for Messrs. Tompkins, Gere, Russo and Brady, respectively.

Supplemental Executive Retirement Plan - All executive officers are eligible to participate in the Deferred Compensation Plan known as the Supplemental Executive Retirement Plan at the direction of the Board of Directors.

A participant who retires on his normal retirement date is entitled to an annual retirement benefit equal to 75% of his compensation reduced by his primary Social Security benefit and further reduced by any benefit payable from the Qualified Pension Plan. In certain cases further reductions are made for benefits from other employment.

Vesting provisions start at 50% for 5 years of service and increases 10% for each year of service for a maximum of 100% vesting at 10 years of service. Annual retirement benefits are payable for 15 years either to the participant or his beneficiary.

Retirement benefits may be in the form of single life annuity, joint and 50% survivors annuity, joint and 100% survivors annuity, single life annuity with a 10-year certain period and single life annuity with a 15-year certain period paid on an actuarial equivalent basis.

The Company is not obligated to set aside or earmark any monies or other assets specifically for the purpose of funding the Plan. The benefits are in the form of an unfunded obligation of the Company. The Company has elected to purchase Corporate-owned life insurance as a means of satisfying its obligation under this Plan. The Company reserves the right to terminate any plan of life insurance at any time, however, a participant is entitled to any benefits he would have been entitled to under the Plan provisions. For the year 1994 the Company paid life insurance premiums totaling $98,796, for Messrs. Tompkins, Gere, Russo and Brady, which provides a preretirement net death benefit of 1-1/2 times base salary at date of death.

Savings and Investment Plan - The Company matches 100% of that portion of the contribution which does not exceed 1% of basic pay plus an additional 50% of that portion from 2% to 6% of basic pay. Distributions under the Plan are made upon normal retirement, total and permanent disability or death and are subject to certain vesting provisions as to Company contributions.

Compensation of Directors

A director who is not an officer of the Company or its subsidiary is paid an annual retainer of $5,400 and a fee of $500 for attendance at Board of Directors (Board) meetings, a fee of $250 for attendance at special meetings of the Board, and a fee of $150 for attendance at special Board committee meetings by means of communications facilities, and a fee of $300 for each committee meeting attended. Committee chairmen receive an additional $200 for each committee meeting chaired. Directors who are officers of the Company are paid a fee of $250 for each meeting of the Board attended.

Compensation Committee Interlocks and Insider Participation

During 1994, the members of the Executive Development and Compensation Committee were William E. Scott, Stephen H. Mundy, Carolina M. Schneider and Jeffries Shein. During 1994, no member of the Executive Development and Compensation Committee was an officer or employee of the Company or its subsidiary. Ms. Carolina M. Schneider is a former officer of the Company. Mr. Stephen H. Mundy has a financial interest in a construction company that was awarded a contract in the amount of $0.6 million in 1994.

Report of the Executive Development and Compensation Committee

The compensation program for executive officers of the Company is administered by the Executive Development and Compensation Committee of the Board of Directors. The 1994 Committee was composed of four independent directors: Carolina M. Schneider, William E. Scott, Stephen H. Mundy and Jeffries Shein. The Committee is responsible for setting and administering the policies which govern annual compensation and Restricted Stock awards. Policies and plans developed by the Committee are approved by the full Board of Directors.

The Committee's compensation policies and plans applicable to the executive officers seek to enhance the profitability of the Company and shareholder value, as well as control costs and maintain reasonable rates for the customers. The Committee's practices reflect policies that compensation should (1) attract and retain well-qualified executives, (2) support short- and long-term goals and objectives of the Company, (3) reward individuals for outstanding contributions to the Company's success, (4) be meaningfully related to the value created for shareholders, and (5) relate to maintenance of good customer relations and reasonable rates.

The Committee meets with Mr. Tompkins to evaluate the performance of the other executive officers and meets in the absence of Mr. Tompkins to evaluate his performance. The Committee reports on all executive evaluations to the full Board of Directors.

Base salary levels are reviewed annually using compensation data produced by an outside compensation expert for similar positions and comparable companies. Base salaries for satisfactory performance are targeted at the median of the competitive market. Individual performance of the executive is determined and taken into account when setting salaries against the competitive market data. The Committee reviews, as well, the individual's efforts on cost control and his or her contributions to the results of the year. The Committee also reviews the Company's financial results compared with prior years and compared with other companies. It compares salaries with both water and general industry salaries.

The factors and criteria upon which Mr. Tompkins' compensation was based generally include those discussed with respect to all the executive officers. Specifically, however, his salary is based on his overall performance and that of the Company. His salary was set at a rate which was approximately the median of the utility market and below that of the general industry. In addition, in evaluating the performance of the CEO, the Committee has taken particular note of management's success with respect to the growth of the Company.

The Company maintains a restricted stock plan for the purpose of attracting and retaining certain key executives of the Company who have contributed, or are likely to contribute, significantly to the long-term performance and growth of the Company. This plan is designed to enhance financial performance, customer service and corporate efficiency through a performance-based stock award. Annual stock awards are based upon several factors including the participant's ability to contribute to the overall success of the Company.

The level of awards and the value of the performance are reviewed annually by the Committee. The Committee submits reports on all executive evaluations and restricted stock awards to the full Board of Directors for approval.

1995 Executive Development and
Compensation Committee
William E. Scott, Chairman
Stephen H. Mundy
Jeffries Shein

Performance Graph

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, the NASDAQ and a peer group of investor-owned water utilities for the period of five years commencing December 31, 1989. The peer group includes Aquarion Company, California Water Service Company, Connecticut Water Service, Inc., Consumers Water Company, E'town Corporation, IWC Resources Corporation, Philadelphia Suburban Corporation, SJW Corporation, Southern California Water Company, United Water Resources and the Company.

	12/31/89	12/31/90	12/31/91	12/31/92	12/31/93	12/31/94
Middlesex	$100	$ 96	$125	$164	$217	$176
NASDAQ	100	85	136	159	181	177
Peer Group	100	93	121	136	155	144

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information made known to the Company as of December 31, 1994 of any person or group to be a beneficial owner of more than five percent of the Company's Common Stock.

Name and Address	Number of Shares Beneficially Owned and Nature of Beneficial Ownership (1)	Percent of Class
Verona Construction Company Suite 1705 1201 Market Street Wilmington, Delaware 19801	292,800	7.26

(1) Beneficial owner has sole power to vote and dispose of shares.

The following information pertains to the Common Stock of the Company beneficially owned, directly or indirectly, by all Directors and Officers of the Company as a group, as of December 31, 1994.

	Common Stock	
	Number of Shares	Percent of Class
Walter J. Brady	6,403	.15
Ernest C. Gere	7,364	.18
John P. Molnar	4,820	.12
Stephen H. Mundy	30,137	.75
Philip H. Reardon	3,299	.08
Marion F. Reynolds	6,537	.16
Richard A. Russo	6,424	.16
Carolina M. Schneider	7,108	.18
William E. Scott	4,743	.12
Jeffries Shein	48,639	1.21
Dennis G. Sullivan	5,613	.13
J. Richard Tompkins	14,087	.35
Joseph S. Yewaisis	1,431	.04
Totals	146,605	3.63

No Preferred Stock is beneficially owned, directly or indirectly by any Officer or Director.

Item 13. Certain Relationships and Related Transactions

During 1994, 1993 and 1992, the Company had transactions with a construction company in which a Director has a financial interest. Major construction transactions were awarded on the basis of negotiated bids approved by the Board of Directors (with the interested

Director abstaining) and amounted to $0.6 million, $0.6 million and $0.3 million for the years 1994, 1993 and 1992, respectively. These amounts included less than $0.1 million due the construction company at December 31, 1994, 1993 and 1992.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial Statements

The following information is incorporated herein by reference to the attached Exhibit 13, 1994 Annual Report to Shareholders, pages 10 through 21:

Management's Discussion and Analysis, Pages 10-11

Consolidated Balance Sheets at December 31, 1994 and 1993, Pages 12-13

Consolidated Statements of Income for each of the three years in the period ended December 31, 1994, Page 14

Consolidated Statements of Capital Stock and Long-term Debt at December 31, 1994 and 1993, Page 15

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1994, Page 16

Consolidated Statements of Retained Earnings for each of the three years in the period ended December 31, 1994, Page 17

Notes to Consolidated Financial Statements, Pages 17-20

Independent Auditors' Report, Page 20

(a) 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.

(a) 3. Exhibits

See Exhibit listing on Pages 21-23.

(b) Reports on Form 8-K

October 21, 1994. Item 5 - Other Events

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.

Chairman of the Board and President and Director	/J. Richard Tompkins/ J. Richard Tompkins	3/23/95 Date
Senior Vice President & Chief Financial Officer and Director	/Ernest C. Gere/ Ernest C. Gere	3/23/95 Date
Vice President-Operations and Director	/Richard A. Russo/ Richard A. Russo	3/23/95 Date
Director	/Stephen H. Mundy/ Stephen H. Mundy	3/23/95 Date
Director	/Phillip H. Reardon/ Phillip H. Reardon	3/23/95 Date
Director	/Carolina M. Schneider/ Carolina M. Schneider	3/23/95 Date
Director	/William E. Scott/ William E. Scott	3/23/95 Date
Director	/Jeffries Shein/ Jeffries Shein	3/23/95 Date
Director	/Joseph S. Yewaisis/ Joseph S. Yewaisis	3/23/95 Date

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.

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
3.1	Certificate of Incorporation of the Company, as amended, filed as Exhibit 3.1 of 1993 Form 10-K.		
3.2	Bylaws of the Company, as amended.	33-54922	3.2
4.1	Form of Common Stock Certificate.	2-55058	2(a)
4.2	Registration Statement, Form S-3, under Securities Act of 1933 filed February 3, 1987 relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
4.3	Post Effective Amendments No. 3 and No. 4, Form S-3, under Securities Act of 1933 filed May 28, 1993 relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
10.1	Agreement, dated December 4, 1990, between the Company and Elizabethtown Water Company.	33-54922	10.1
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, April 1, 1946, April 1, 1949, February 1, 1955 and December 1, 1959.	2-15795	4(a)-4(f)
10.3	Copy of Supplemental Indenture, dated as of January 15, 1963, between the Company and Union County Trust Company, as Trustee.	2-21470	4(b)
10.4	Copy of Supplemental Indentures, dated as of July 1, 1964, June 1, 1965, February 1, 1968, December 1, 1968, December 1, 1970, December 1, 1972 and June 15, 1991, between the Company and Union County Trust Company, as Trustee	33-54922	10.4 - 10.9 and 10.16

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
10.5	Copy of Supplemental Indenture, dated as of April 1, 1979, between the Company and United Counties Trust Company, as successor Trustee.	2-64770	5.9
10.6	Copy of Supplemental Indenture, dated as of April 1, 1983, between the Company and United Counties Trust Company, as successor Trustee.	2-94106	10.12
10.7	Copy of Supplemental Indenture, dated as of August 15, 1988, between the Company and United Counties Trust Company, as Trustee.	33-31476	4.3
10.8	Copy of Trust Indenture, dated as of June 15, 1991, between the New Jersey Economic Development Authority and Midlantic National Bank, as Trustee.	33-54922	10.17
10.9	Copy of Supply Agreement, dated as of November 17, 1986, between the Company and the Old Bridge Municipal Utilities Authority.	33-31476	10.12
10.10	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
10.11	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.		
10.12	Copy of Water Purchase Contract and Supplemental Agreement, dated as of May 12, 1993, between the Company and the New Jersey Water Supply Authority filed as Exhibit No. 10.12 of 1993 Form 10-K.		
10.13	Copy of Treating and Pumping Agreement, dated April 9, 1984, between the Company and the Township of East Brunswick.	33-31476	10.17
10.14	Copy of Supply Agreement, dated June 4, 1990, between the Company and Edison Township.	33-54922	10.24

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
10.15	Copy of Supply Agreement, dated as of December 5, 1991, between the Company and the Borough of Highland Park.	33-54922	10.25
10.16	Copy of Pipeline Lease Agreement, dated as of January 9, 1987, between the Company and the City of Perth Amboy.	33-31476	10.20
10.17	Copy of Supplemental Executive Retirement Plan, effective January 1, 1984, as amended.	33-31476	10.21
10.18	Copy of 1989 Restricted Stock Plan, filed as Appendix A to the Company's Definitive Proxy Statement, dated April 19, 1989, and filed April 5, 1989.	33-31476	10.22
10.19	Amendment to Supplemental Executive Retirement Plan, dated May 23, 1990, filed as Exhibit No. 10.23 of 1991 Form 10-K.		
10.20	Copy of Transmission Agreement, dated October 16, 1992, between the Company and the Township of East Brunswick.	33-54922	10.23
10.21	Copy of Agreement and Plan of Merger, dated January 7, 1992, between the Company, Midwater Utilities, Inc. and Tidewater Utilities, Inc.	33-54922	10.29
10.22	Copy of Supplemental Indentures, dated March 1, 1993 (Series P-1), September 1, 1993 (Series S & T) and January 1, 1994 (Series U & V), between the Company and United Counties Trust Company, as Trustee, filed as Exhibit No. 10.22 of 1993 Form 10-K.		
10.23	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.		
*13	Annual Report to Shareholders for the year ended December 31, 1994: pages 10 through 21.		
*23	Independent Auditors' Consent.		
*27	Financial Data Schedule		

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Construction Program - The Company's expenditures on property, plant and equipment during 1994 totaled $6.0 million and consisted of the following: $3.0 million for routine capital additions, which include transmission and distribution mains, hydrants, service lines, meters, and general equipment; $1.3 million for Park Avenue Well Field improvements; and $1.7 million for water systems development in Delaware. These expenditures were financed by some utilization of the December 31, 1993 cash balance, internally-generated funds from operations, Series R Bond proceeds, and the sale of common stock through the Dividend Reinvestment Plan.

During 1995, 1996 and 1997, the Company has projected capital expenditures of $6.1 million, $8.3 million and $13.2 million, respectively. For 1995, $5.0 million is for routine capital expenditures; $0.5 million for the South River Basin regional supply; $0.2 million for treatment of well supplies; and $0.4 million for miscellaneous items. For 1996 and 1997 combined, $9.7 million is for routine capital expenditures; $10.0 million for treatment plant modifications and improvements; $0.5 million for Section A pipeline; $0.9 million for Robinson's Branch Reservoir; and $0.4 million for miscellaneous items.

Sources of Capital - To finance the 1995 Capital Program, the Company will utilize internally-generated cash and cash balances on hand at December 31, 1994. The 1996 and 1997 Capital Programs, although not firm at this time, will require some form of external financing.

RESULTS OF OPERATIONS
1994 COMPARED TO 1993

Operating revenues increased $0.6 million or 1.7% over the previous year. Of that amount, $1.0 million is due to the 1993 rate increase, and $0.4 million is due to a decrease in consumption for all classes of customers.

Operations and maintenance expenses increased by $0.2 million or 1.3% over 1993. The principal components of the increase were for administrative and general expenses and purchased water.

Depreciation increased $0.3 million or 11.5% due to a higher depreciation base and a higher depreciation rate of 2.17% granted as part of the 1993 rate increase. Taxes, other than income taxes, increased $0.1 million or 2.3% due largely to higher revenue-related taxes. Federal income taxes decreased $0.3 million due to lower taxable income. Other income decreased $0.3 million due to lower earnings on investments, less funds available for investments and no Allowance for Funds Used During Construction (AFUDC). The decrease in preferred stock dividends reflects the redemption of the $8.25 and $6.00 Redeemable Series and partial redemption of the $7.00 Nonredeemable Series.

Net income remained stable despite the less than 2% increase in revenues. This was accomplished by continued monitoring of operating expenses, lower taxes and interest charges and higher earnings from Tidewater operations.

RESULTS OF OPERATIONS
1993 COMPARED TO 1992

Operating revenues increased $4.6 million or 15% over the previous year. Of that amount, $1.9 million is due to the 1993 rate increase, $1.6 million is due to consumption increase and $1.1 million is due to the inclusion of Tidewater Utilities, Inc. (Tidewater) revenues for a full 12 months. Operating results for 1992 included revenue from Tidewater subsequent to the acquisition date of October 20, 1992.

Operations and maintenance expenses increased by $1.9 million or 12.9% over 1992. The principal components of the increase were for purchased water, $0.2 million; power and pumping expenses, $0.4 million; transmission and distribution expenses, $0.2 million; and administrative and general expenses, $0.4 million. The balance of $0.7 million is due to the inclusion of Tidewater expenses for the full year.

Depreciation increased $0.4 million or 21% due to a higher depreciation base and a higher depreciation rate of 2.17% granted as part of the 1993 rate increase. Taxes, other than income taxes, increased $0.6 million or 13% due largely to higher revenue-related taxes. Federal income taxes increased $0.7 million due to higher taxable income. Other income decreased $0.2 million or 44% due to lower rates on investments and less funds available for investments. Interest charges decreased $0.2 million or 8% due largely to a decrease in the overall interest rate as a result of mortgage bond redemptions. The increase of $0.1 million in preferred stock dividends reflects a full year's declaration of dividends on the $7.00 Convertible Series.

Net income increased $1.0 million reflecting higher revenues over increased expenses and taxes due to the 1993 rate increase, continued monitoring of operating expenses, favorable weather, lower interest charges and Tidewater earnings.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, effective January 1, 1993. The primary effect on the Company, which is on the presentation of its financial position, was to increase the net deferred income tax liability by $4.9 million. An offsetting regulatory asset of the same amount was recorded since management believes that it is probable the increase in the deferred income tax liability will be recovered in future rates. The adoption of this statement did not have an effect on the Consolidated Statements of Income. (See Note 3 to Consolidated Financial Statements.)

The Company also adopted SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, on January 1, 1993. This statement requires accrual of costs associated with postretirement health care and life insurance benefits for all employees, including retirees. These costs are currently allowed in rates on a pay-as-you-go basis. The Company's adoption of this standard increased annual expenses by $0.6 million, which is being deferred and includes the amortization, over 20 years, of a transition obligation of $4.7 million. The Company will file for rate relief for these costs during its next base rate case filing. All costs recorded in accordance with SFAS No. 106 that are prudently incurred are expected to be afforded regulatory recognition. (See Note 4 to Consolidated Financial Statements.)

OUTLOOK FOR 1995

Revenues and expenses are projected to produce only small increases based on some growth and inflationary projections under 5%. Except for the filing of a Purchased Water Adjustment Clause (PWAC), no increase in revenues is projected from rate filings. Cash balances and internally-generated funds will be used to finance the 1995 Capital Program. Therefore, no new borrowings or financings are expected in 1995, which will keep interest expense level. Health care costs in 1994 have declined and are not expected to increase significantly during 1995. Results of operations from Tidewater are expected to have a positive effect on earnings in 1995.

REPORT OF MANAGEMENT

The consolidated financial statements and other financial information included in this annual report have been prepared by and are the responsibility of Management. The statements have been prepared in conformity with generally accepted accounting principles considered appropriate under the circumstances and include amounts based on necessary judgment and estimates deemed appropriate.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance that assets are protected from improper use and loss and to provide reliable financial information.

The consolidated financial statements of the Company have been audited by its independent auditors, Deloitte & Touche LLP, and their report is included herein.

The Board of Directors, through its Audit Committee consisting solely of outside Directors, is responsible for overseeing and reviewing the Company's financial reporting and accounting practices. The Audit Committee meets periodically with the independent auditors to review the scope of their work and discuss any changes and developments that may impact the Company.

J. RICHARD TOMPKINS	ERNEST C. GERE
J. Richard Tompkins	Ernest C. Gere
Chairman of the Board and President	Senior Vice President & Chief Financial Officer

February 13, 1995

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS
Assets

		DECEMBER 31, 1994	DECEMBER 31, 1993
UTILITY PLANT (NOTE 5):	Water Production	$ 25,612,023	$ 23,637,834
	Transmission and Distribution	93,334,300	90,472,850
	General	11,202,947	10,860,783
	Construction Work in Progress	262,249	97,580
	TOTAL	130,411,519	125,069,047
	Less Accumulated Depreciation	21,668,506	19,676,595
	UTILITY PLANT - NET	108,743,013	105,392,452
	NONUTILITY PROPERTY - NET	400,209	154,096
CURRENT ASSETS:	Cash and Cash Equivalents	3,854,186	1,146,245
	Marketable Securities	933,298	--
	Temporary Cash Investments - Restricted (Note 6)	289,552	2,923,205
	Accounts Receivable	4,236,800	3,542,507
	Unbilled Revenues	2,143,795	2,246,615
	Materials and Supplies (at average cost)	991,116	967,007
	Prepayments	503,808	434,312
	TOTAL CURRENT ASSETS	12,952,555	11,259,891
DEFERRED CHARGES:	Unamortized Debt Expense	3,082,420	2,033,472
	Preliminary Survey and Investigation Charges	653,328	665,147
	Regulatory Assets (Notes 3 and 4)	5,818,530	5,508,876
	Rate Case Expenses	--	92,381
	Other (Note 2)	762,703	569,908
	TOTAL DEFERRED CHARGES	10,316,981	8,869,784
	TOTAL	$ 132,412,758	$ 125,676,223

See Notes to Consolidated Financial Statements.

Capitalization and Liabilities

		DECEMBER 31, 1994	DECEMBER 31, 1993
CAPITALIZATION (SEE ACCOMPANYING STATEMENTS AND NOTE 9):	Common Stock	$ 27,151,673	$ 26,223,214
	Retained Earnings	17,699,422	16,615,466
	TOTAL COMMON EQUITY	44,851,095	42,838,680
	Cumulative Preferred Stock	2,790,105	3,951,500
	Long-term Debt	49,500,000	24,500,000
	TOTAL CAPITALIZATION	97,141,200	71,290,180
CURRENT LIABILITIES:	Current Portion of Long-term Debt	--	12,500,000
	Sinking Fund Payments	--	66,000
	Accounts Payable	1,616,945	1,472,022
	Notes Payable (Note 6)	--	9,000,000
	Customer Deposits	308,174	284,731
	Taxes Accrued	4,444,372	4,366,922
	Interest Accrued	1,134,223	942,495
	Other	877,283	727,741
	TOTAL CURRENT LIABILITIES	8,380,997	29,359,911
COMMITMENTS AND CONTINGENT LIABILITIES (NOTE 5)			
DEFERRED CREDITS:	Customer Advances for Construction	9,199,363	8,701,738
	Accumulated Deferred Investment Tax Credits (Note 3)	2,452,096	2,523,776
	Accumulated Deferred Federal Income Taxes (Note 3)	9,767,241	9,078,687
	Other	1,312,961	943,610
	TOTAL DEFERRED CREDITS	22,731,661	21,247,811
	CONTRIBUTIONS IN AID OF CONSTRUCTION	4,158,900	3,778,321
	TOTAL	$ 132,412,758	$ 125,676,223

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	1994	1993	1992
OPERATING REVENUES (NOTE 2)	$ 36,122,475	$35,478,810	$30,860,626
OPERATING EXPENSES:			
Operations:			
Water Purchased (Note 5)	2,769,265	2,749,514	2,545,164
Other	12,478,859	12,373,656	10,746,472
Maintenance	1,549,970	1,460,476	1,389,191
Depreciation	2,649,657	2,375,910	1,960,731
Taxes, other than Income Taxes	5,343,563	5,222,320	4,620,455
Federal Income Taxes (Note 3)	2,766,361	3,072,303	2,350,715
TOTAL OPERATING EXPENSES	27,557,675	27,254,179	23,612,728
OPERATING INCOME	8,564,800	8,224,631	7,247,898
OTHER INCOME/(EXPENSE):			
Allowance for Funds Used During Construction - Equity	--	166,724	125,212
Other - Net	(25,731)	102,748	356,583
TOTAL OTHER INCOME/(EXPENSE)	(25,731)	269,472	481,795
INCOME BEFORE INTEREST CHARGES	8,539,069	8,494,103	7,729,693
INTEREST CHARGES:			
Interest on Long-term Debt	2,882,731	2,772,227	3,250,291
Allowance for Funds Used During Construction - Debt	--	(108,398)	(81,409)
Amortization of Debt Expense	118,657	144,043	56,403
Other Interest Expense	42,309	206,605	42,205
TOTAL INTEREST CHARGES	3,043,697	3,014,477	3,267,490
NET INCOME	5,495,372	5,479,626	4,462,203
PREFERRED STOCK DIVIDEND REQUIREMENTS	188,357	255,722	185,935
EARNINGS APPLICABLE TO COMMON STOCK	$ 5,307,015	$ 5,223,904	$ 4,276,268
EARNINGS AND DIVIDENDS PER SHARE OF COMMON STOCK:			
Earnings	$ 1.33	$ 1.33	$ 1.20
Dividends Paid	$ 1.053/4	$ 1.011/4	$ 0.97
Average Number of Shares Outstanding	4,003,393	3,924,363	3,568,499

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITAL STOCK
AND LONG-TERM DEBT

	DECEMBER 31, 1994	DECEMBER 31, 1993
Common Stock, No Par Value (Notes 4 and 9)		
Shares Authorized - 6,000,000		
Shares Outstanding - 1994 - 4,030,834	$ 27,412,913	
1993 - 3,979,387		$ 26,486,569
Restricted Stock Plan	(261,240)	(263,355)
TOTAL COMMON STOCK	$ 27,151,673	$ 26,223,214
Cumulative Preference Stock, No Par Value		
Shares Authorized - 100,000		
Shares Outstanding - None		
Cumulative Preferred Stock, No Par Value (Note 9)		
Shares Authorized - 70,656		
Convertible:		
Shares Outstanding, $7.00 Series - 14,901	$ 1,564,605	$ 1,543,500
Nonredeemable:		
Shares Outstanding, $7.00 Series - 1994 - 2,255	225,500	
1993 - 2,500		250,000
Shares Outstanding, $4.75 Series - 10,000	1,000,000	1,000,000
Redeemable:		
Shares Outstanding, $6.00 Series - 1994 - None	--	
1993 - 7,500		750,000
Shares Outstanding, $8.25 Series - 1994 - None	--	
1993 - 4,080		408,000
TOTAL CUMULATIVE PREFERRED STOCK	$ 2,790,105	$ 3,951,500
Long-term Debt (Note 9):		
First Mortgage Bonds:		
6.75%, Series K, due February 1, 1996	$ --	$ 2,500,000
8.00%, Series Q, due August 1, 2018	--	10,000,000
7.25%, Series R, due July 1, 2021	6,000,000	6,000,000
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	--
5.25%, Series V, due February 1, 2029	10,000,000	--
SUBTOTAL LONG-TERM DEBT	49,500,000	37,000,000
Less: Current Portion of Long-term Debt	--	12,500,000
TOTAL LONG-TERM DEBT	$ 49,500,000	$ 24,500,000

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME	$ 5,495,372	$ 5,479,626	$ 4,462,203
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation	2,649,657	2,375,910	1,960,731
Amortization of Deferred Charges	383,750	483,878	242,843
Provision for Deferred Income Taxes	639,381	5,882	800,867
Amortization of Investment Tax Credit	(71,680)	(69,919)	(66,394)
Allowance for Funds Used During Construction	--	(275,122)	(206,621)
Changes in Current Assets and Liabilities:			
Accounts Receivable	(694,293)	(691,296)	363,572
Materials and Supplies	(24,109)	(49,290)	90,406
Accounts Payable	144,923	(609,161)	612,752
Accrued Income Taxes	77,450	610,448	(482,462)
Accrued Interest	191,728	(190,808)	106,200
Unbilled Revenues	102,820	(254,393)	(104,109)
Other - Net	(53,483)	209,890	(2,515)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,841,516	7,025,645	7,777,473
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures*	(5,979,113)	(6,910,274)	(10,970,329)
Preliminary Survey & Investigation Charges	11,819	(103,664)	586,301
Marketable Securities	(933,298)	--	--
Cash From Acquisition of Subsidiary	--	--	115,550
Other - Net	(345,778)	(374,369)	43,341
NET CASH USED IN INVESTING ACTIVITIES	(7,246,370)	(7,388,307)	(10,225,137)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	(12,500,000)	(24,050,000)	(2,800,000)
Proceeds from Issuance of Long-term Debt	25,000,000	18,500,000	--
Temporary Cash Investments - Restricted	2,633,653	896,173	667,969
Proceeds from Issuance of Common Stock (Net)	928,459	1,610,266	6,207,970
Deferred Bond Issuance Expenses	(1,167,605)	(1,009,839)	--
Common Stock Issuance Expenses	--	(30,934)	(96,189)
Payment of Preferred Dividends	(180,006)	(287,461)	(155,788)
Payment of Common Dividends	(4,231,410)	(3,971,830)	(3,446,474)
Customer Advances - Net	878,204	1,205,394	472,777
Redemption of Preferred Stock	(1,248,500)	(66,000)	(66,000)
Short-term Bank Borrowings (Repayments)	(9,000,000)	7,950,000	1,050,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,112,795	745,769	1,834,265
NET CHANGES IN CASH AND CASH EQUIVALENTS	2,707,941	383,107	(613,399)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,146,245	763,138	1,376,537
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,854,186	$ 1,146,245	$ 763,138

*Excludes Allowance for Funds Used During Construction.

	1994	1993	1992
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:			
Cash Paid During the Year for:			
Interest (net of amounts capitalized)	$ 2,722,327	$ 2,874,586	$ 2,991,325
Income Taxes	$ 2,453,936	$ 3,028,767	$ 2,132,530

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	YEARS ENDED DECEMBER 31,		
	1994	1993	1992
BALANCE AT BEGINNING OF YEAR	$ 16,615,466	$ 15,426,065	$ 14,662,313
NET INCOME	5,495,372	5,479,626	4,462,203
TOTAL	22,110,838	20,905,691	19,124,516
CASH DIVIDENDS:			
Cumulative Preferred Stock	180,006	287,461	155,788
Common Stock	4,231,410	3,971,830	3,446,474
COMMON STOCK EXPENSES	--	30,934	96,189
TOTAL DEDUCTIONS	4,411,416	4,290,225	3,698,451
BALANCE AT END OF YEAR	$ 17,699,422	$ 16,615,466	$ 15,426,065

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization - Middlesex Water Company (Middlesex or the Company) is the parent company of Tidewater Utilities, Inc. (Tidewater). White Marsh Environmental Systems, Inc., a corporation formed during the second quarter of 1994, is a wholly-owned subsidiary of Tidewater. The financial statements for Middlesex and its wholly-owned subsidiaries are reported on a consolidated basis. All intercompany accounts and transactions have been eliminated.

(b) System of Accounts - Middlesex and Tidewater maintain their accounts in accordance with the Uniform System of Accounts prescribed by the Board of Public Utilities of the State of New Jersey (BPU) and the Public Service Commission of Delaware (PSC), respectively.

(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. Middlesex capitalizes an Allowance for Funds Used During Construction on individual projects in excess of $0.2 million at a rate of 9%. Depreciation is computed by Middlesex on a straight-line basis at a composite annual rate of 2.17%, which increased from 2.01% on May 1, 1993, in accordance with the rate decision as determined by the BPU. The Accumulated Provision for Depreciation is charged with the cost of property retired, together with removal costs less salvage. 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.

(d) Marketable Securities - Short-term investments in U.S. Treasury Bills not otherwise reported as cash equivalents are recorded at cost, which approximates market value.

(e) Accounts Receivable - Provision for allowance for doubtful accounts at December 31, 1994, 1993 and 1992 and the corresponding expense and deduction for those years is each less than $0.1 million.

(f) Revenues - Revenues are recorded as service is rendered and include estimates for amounts unbilled at the end of the period for water used subsequent to the last billing cycle.

(g) Deferred Charges - Unamortized Debt Expense is amortized over the lives of the related issues. As authorized by the BPU, main cleaning and lining costs are being amortized over a 14-year period; depreciation study, the alternate treatment pilot study and acquisition costs over 36 months and rate case expenses over 18 months.

(h) Income Taxes - The Company adopted SFAS No. 109, Accounting for Income Taxes, on a prospective basis effective January 1, 1993. (See Note 3.) Middlesex and Tidewater file a consolidated Federal income tax return and income taxes are allocated based on the separate return method. Investment tax credits have been deferred and are being amortized over the estimated useful life of the related property.

(i) 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, commercial paper, money market funds, and U.S. Treasury Bills maturing in less than 90 days.

(j) Certain prior year amounts have been reclassified to conform to the current year reporting.

NOTE 2 - RATES AND REVENUES

On April 30, 1993 the BPU approved a stipulation agreed to by the parties to the Company's rate case which was filed in September 1992. The stipulation allowed for an overall rate increase of 9.33% or $2.8 million, which was implemented on May 1, 1993, based upon several elements, including an 11.5% return on equity, an increased depreciation rate of 2.17% and the addition of two significant construction projects to Utility Plant in the amount of $13.4 million.

On June 23, 1994, the Company received approval from the BPU to implement a Purchased Water Adjustment Clause (PWAC). A PWAC is a regulatory vehicle that allows New Jersey water utilities to pass along to, or credit, customers' changes in the cost of purchasing water, without the need for filing a full base rate case. This was the first PWAC petition filed by the Company under the regulations adopted during 1991. The PWAC will afford the Company the opportunity to recover approximately $0.1 million of increased costs. In addition, on February 2, 1995, the Company filed a petition with the BPU seeking recovery of increased purchased water costs of an additional $0.1 million.

Included in Deferred Charges-Other is $0.2 million of deferred costs at December 31, 1994 which Middlesex is recovering through rates over periods ranging from 1.3 to 14 years. The BPU has excluded these costs from rate base and, therefore, Middlesex is not earning a return on these costs during the recovery period.

NOTE 3 - INCOME TAXES

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

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS)		
	1994	1993	1992
Net Income	$ 5,495	$ 5,480	$ 4,462
Federal Income Tax Expense (as below)	2,766	3,072	2,351
Book Income Subject to Tax	$ 8,261	$ 8,552	$ 6,813
Income Tax at Statutory Rate of 34%	$ 2,809	$ 2,908	$ 2,316
Tax Effect of:			
Allowance for Funds Used During Construction	--	(94)	(70)
Other	(43)	258	105
Total Federal Income Tax Expense	$ 2,766	$ 3,072	$ 2,351

Federal income tax expense is comprised of the following:

Federal Income Tax - Current	$ 2,219	$ 3,124	$ 1,587
Deferred Taxes (as below)	619	17	830
Investment Tax Credit	(72)	(69)	(66)
Total Federal Income Tax Expense	$ 2,766	$ 3,072	$ 2,351

The provisions for deferred Federal income tax result from the following timing differences:

Customer Advances	$ (123)	$ (217)	$ (161)
Accelerated Depreciation	617	730	682
Revenue Taxes	(403)	(400)	406
Bond Redemptions	477	--	--
Other	51	(96)	(97)
Deferred Federal Income Tax Expense	$ 619	$ 17	$ 830

The statutory review period for income tax returns for the years prior to 1991 have been closed.

The Company adopted SFAS No. 109, Accounting for Income Taxes, effective January 1, 1993. Adoption of this statement requires that deferred income taxes be set up for all temporary differences regardless of the regulatory ratemaking treatment. However, if it is probable that these additional taxes will be passed on to ratepayers, an offsetting regulatory asset or liability is to be recorded by the Company. Management believes that it is probable that the consolidated deferred income tax liability of approximately $4.9 million resulting from the adoption of SFAS No. 109 will be recovered in future rates and, therefore, a regulatory asset has been set up to offset the increased liability. The adoption of SFAS No. 109 does not have an effect on the Consolidated Statements of Income.

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 Company's net deferred tax liability as of December 31, 1994 was $9.8 million. This amount is comprised of a deferred tax liability related to accelerated depreciation and differences between book and tax basis of property totaling $13.6 million, offset by $3.7 million of prepaid taxes pertaining to customer advances for construction and other deferred tax assets of $0.1 million.

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Company has a noncontributory defined benefit pension plan which covers substantially all employees with more than 1,000 hours of service. The Company makes annual contributions to the plan consistent with the funding requirements of Federal laws and regulations.

Pension expense for 1994, 1993 and 1992 was $218,000, $240,000 and $193,000, respectively.

Plan assets consist primarily of corporate equities, cash equivalents, and stock and bond funds. The following table sets forth the plan's funded status and amounts recognized in the Company's balance sheets.

YEARS ENDED DECEMBER 31,
(THOUSANDS OF DOLLARS)

	1994	1993
Actuarial present value of plan benefits:		
Vested benefits	$ (7,021)	$ (6,729)
Nonvested benefits	(43)	(22)
Impact of estimated future compensation charges	(2,479)	(2,315)
Projected plan benefits	(9,543)	(9,066)
Plan assets at fair value	9,443	9,959
Plan assets in excess of projected plan benefits	(100)	893
Unrecognized net obligation	100	114
Unrecognized net gain	(77)	(1,141)
Accrued pension cost recognized in the balance sheet	$ (77)	$ (134)

Net pension cost includes the following components:

Service cost benefits earned during the period	$ 309	$ 295
Interest cost on projected benefit obligation	698	665
Return on plan assets	(788)	(728)
Net amortization and deferral	(1)	8
Net pension cost	$ 218	$ 240

The assumptions used in determining the actuarial present value of the projected obligation at December 31, 1994 and December 31, 1993 were a discount rate of 8.0% and a compensation increase of 5.5%. The expected long-term rate of return on plan assets used in determining net periodic cost was 8.0%.

Effective January 1, 1993, the Company adopted SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. SFAS No. 106 requires employers to accrue the estimated cost of retiree benefit payments during the years the employee provides services.

The Company previously expensed the cost of these benefits, which are principally health care, as premiums were incurred. SFAS No. 106 allows recognition of the cumulative effect of the liability in the year of the adoption or the amortization of the obligation over a period of up to twenty years. Middlesex elected to recognize this obligation of $4.7 million over a period of twenty years.

Middlesex provides certain health care and life insurance benefits for substantially all of its retired employees. In 1994, 1993 and 1992, the Company recognized $176,000, $168,000 and $245,000, respectively, as an expense for postretirement health care and life insurance benefits. The plan's funded status is as follows:

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS)	
	1994	1993
Retirees	$ 1,461	$ 1,516
Fully eligible plan participants	582	505
Other active plan participants	815	708
Accumulated postretirement benefit obligation	2,858	2,729
Plan assets at fair value	--	--
Unrecognized net gain	2,242	2,346
Unrecognized prior service cost	--	--
Unrecognized transition obligation	(4,232)	(4,467)
Accrued postretirement benefit obligation	$ 868	$ 608

Net postretirement benefit cost consisted of the following components:

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS)	
	1994	1993
Service cost - benefits earned during the year	$ 87	$ 165

Interest cost on accumulated postretirement benefit obligation	218	376
Amortization of net gain	(104)	--
Amortization of transition obligation	235	235
Regulatory deferral	(260)	(608)
Net postretirement benefit cost	$ 176	$ 168

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation for 1994 was 9% decreasing linearly each successive year until it reaches 5% in 1998, after which it remains constant. A one-percentage-point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation by 15% and the 1994 net postretirement benefit cost by approximately 11%. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 8%.

Middlesex sought rate relief for the increased costs in the 1993 stipulated rate case. The stipulation, approved by the BPU, provided that the costs 'will continue to be included in Petitioner's cost of service for ratemaking purposes and recoverable in rates on a pay-as-you-go basis; and the costs prudently incurred and booked in accordance with SFAS No. 106 will be recoverable in future rates; and Middlesex will account for the difference between the accrued costs as determined under SFAS No. 106 and the level of pay-as-you-go costs built into rates as a regulatory asset pursuant to SFAS No. 71, Accounting for the Effects of Certain Types of Regulation.' SFAS No. 71 allows regulated entities to defer costs that are normally expensed, where it is probable by the actions of the regulator, that recovery in future rates is allowable. The regulatory asset at December 31, 1994, and 1993 was $0.9 million and $0.6 million, respectively.

The stipulation also provided that 'the issue of cash versus accrual accounting should be revisited, and, to the extent that it is determined that proper ratemaking policy or regulations or policy statements issued by the Financial Accounting Standards Board or the Securities and Exchange Commission require a change to accrual accounting for ratemaking purposes, the accumulated regulatory asset will be recoverable in rates over an appropriate amortization period.'

The Company maintains a restricted stock plan, under which 33,800 shares of the Company's common stock are held in escrow by the Company for key employees. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the grant other than as a result of retirement, death or disability.

The maximum number of shares authorized for grant under this plan is 60,000 shares. 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 expense for 1994, 1993 and 1992 was not considered material.

NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES

In October 1994, the Company signed a contract to purchase the assets of a 2,200 customer water utility and a 2,200 customer wastewater utility in Burlington County, New Jersey. The newly acquired systems will be called Pinelands Water Company and Pinelands Sewer Company. Approval is required by the BPU before the Company assumes ownership, which is expected by March 31, 1995. The purchase price of $2.4 million will be satisfied with a cash payment of $1.2 million, upon BPU approval, and a five-year note payable for the balance. These systems will not have a material impact on the Company's revenues and will require substantial rate increases to attain profitability.

The Company has agreements with both the Elizabethtown Water Company and the New Jersey Water Supply Authority (NJWSA) for the purchase of water. The agreement with Elizabethtown, which expires December 31, 1995, provides for the minimum purchase of 2 million gallons daily (mgd) of treated water with provisions for additional purchases. The 1994, 1993 and 1992 costs under this agreement were $1.0 million, $0.9 million and $0.8 million, respectively.

The NJWSA agreement, which expires November 1, 2013, provides for the minimum purchase of 20 mgd of untreated water from the Delaware and Raritan Canal. In addition, the Company has a supplemental one-year agreement for an additional 5 mgd renewed through April 30, 1995. This agreement is renewable on an annual basis. The total annual cost for 1994, 1993 and 1992 was $1.8 million, $1.9 million and $1.7 million, respectively.

The Company plans to spend approximately $6.1 million in 1995 on its construction program. Substantially all of the utility plant of the Company is subject to the lien of its mortgage which also includes certain restrictions as to cash dividend payments and other distributions on common stock.

A local entity and its owner have filed a negligence claim against the Company, for which the Company is insured, with a claim for punitive damages which may not be insured. Their action alleges financial losses arising out of improper water pressure and service. Without taking a position on the negligence claim, the Company does not believe that the claim for punitive damages will prevail. The Company has been named along with an officer in litigation where the plaintiff asserts that the Company's officer, acting in the course of his employment, defamed the plaintiff. The Company believes that its liability insurance is sufficient to respond to the claim and notes that the carrier is providing a defense. That liability insurance would not provide coverage were it determined that the Company or its officer acted with knowledge that statements made about plaintiff were false. While the outcome of these cases is not presently determinable, management believes that the final resolution will not have a significant effect on the Company's financial position or results of operations or cash flows.

NOTE 6 - LINES OF CREDIT, NOTES PAYABLE AND RESTRICTED CASH

	(THOUSANDS OF DOLLARS)		
	1994	1993	1992
Established Lines of Credit	$ 15,500	$ 20,000	$ 15,000

Amounts Outstanding at December 31	--	9,000	1,050
Maximum Amount Outstanding	11,000	9,000	6,000
Average Outstanding Balance	1,769	5,435	858
Weighted Average Interest Rate	3.4%	3.5%	4.4%

Short-term borrowings are generally below the prime rate with some requirements for compensating balances not exceeding 3% of the line.

Temporary cash investments of $0.3 million at the end of 1994 represented the balance of New Jersey Economic Development Authority (NJEDA) Bond Proceeds held in trust and its use is restricted to specific expenditures.

NOTE 7 - RELATED PARTY TRANSACTIONS

During 1994, 1993 and 1992, the Company had transactions with a construction company in which a Director has a financial interest. Major construction transactions were awarded on the basis of negotiated bids approved by the Board of Directors (with the interested Director abstaining) and amounted to $0.6 million, $0.6 million and $0.3 million for the years 1994, 1993 and 1992, respectively. These amounts included less than $0.1 million due the construction company at December 31, 1994, 1993 and 1992.

NOTE 8 - QUARTERLY OPERATING RESULTS - UNAUDITED

Quarterly operating results for 1994 and 1993 are as follows:

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	YEAR
1994	(THOUSANDS OF DOLLARS EXCEPT PER SHARE DATA)				
Operating Revenues	$ 8,569	$ 9,196	$ 9,457	$ 8,900	$ 36,122
Operating Income	1,950	2,238	2,451	1,926	8,565
Net Income	1,208	1,520	1,617	1,150	5,495
Earnings per Common Share	$ 0.29	$ 0.37	$ 0.39	$ 0.28	$ 1.33
1993					
Operating Revenues	$ 7,769	$ 8,778	$ 10,175	$ 8,757	$ 35,479
Operating Income	1,636	2,040	2,646	1,903	8,225
Net Income	1,105	1,404	1,876	1,095	5,480
Earnings per Common Share	$ 0.27	$ 0.34	$ 0.46	$ 0.26	$ 1.33

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.

NOTE 9 - CAPITALIZATION

All the transactions discussed in Note 9 related to the issuance or redemption of securities were approved by the BPU, except where noted.

Common Stock

The Company sold 300,000 shares of no par common stock in December 1992 at a price of $17.25 per share. The net proceeds of $4.9 million were used to reduce short-term bank borrowings.

In May 1993, the number of shares available for issue and sale under the Company's Dividend Reinvestment and Common Stock Purchase Plan (DRP) was increased by 500,000 to a total of 900,000 shares. The cumulative number of shares issued under the DRP at December 31, 1994 is 531,278.

During 1994, 1993 and 1992, 51,447 shares ($0.9 million), 88,416 shares ($1.6 million), and 88,409 shares ($1.3 million) of common stock were issued under DRP and the restricted stock plan, respectively.

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.

Long-term Debt

On March 1, 1993, the Company redeemed the $2.5 million, 10.50%, Series P First Mortgage Bonds, originally due March 1, 2003, and the redemption was funded by issuing Series P-1 First Mortgage Bonds due December 1, 1993.

On September 29, 1993, the Company issued $18.5 million of First Mortgage Bonds. Proceeds of the $12 million, designated as Series S, with a maturity date of October 1, 2022, and an interest rate of 5.20%, were used to redeem the Series O First Mortgage Bonds ($9.5 million) and the Series P-1 First Mortgage Bonds ($2.5 million). Proceeds of the $6.5 million, designated as Series T, with a maturity date of October 1, 2023, and an interest rate of 5.25% were used to fund certain capital projects, including portions of Section B of the South River Basin Transmission Main and the Park Avenue Well Field Treatment Facilities.

On February 1, 1994, the Company redeemed the $10 million, 8%, Series Q First Mortgage Bonds, originally due August 1, 2018. This redemption was funded by issuing $10 million, 5.25%, Series V First Mortgage Bonds due February 1, 2029.

Series O, P and Q were originally issued in cooperation with the NJEDA. The subsequent redemption of these bonds was also accomplished through the NJEDA.

The interest on the Series S, T and V is tax-exempt for Federal and New Jersey income tax purposes. However, the interest on Series T and V is subject to Alternative Minimum Tax.

On February 2, 1994, the Company issued $15 million of taxable First Mortgage Bonds designated as Series U with a maturity date of February 1, 2009 and a coupon rate of 6.40%. In anticipation of this bond issue, the Company redeemed Series J ($2.5 million), Series L ($2.0 million) and Series N ($1.5 million) on December 1, 1993; Series I ($4.8 million) on December 31, 1993; and Series K ($2.5 million) on February 1, 1994. The balance of the proceeds from Series U was used to reimburse the Company for previously incurred financing costs.

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.

In 1992, the Company issued 17,000 shares of no par $7.00 Cumulative and Convertible preferred stock (convertible) for the acquisition of Tidewater. The conversion feature, which is effective five years from the date of issue, allows the security holders to exchange one convertible preferred share for six 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 six shares of the Company's common stock for each share of convertible stock redeemed. As a result of the settlement of certain pre-acquisition tax liabilities, 2,099 shares were returned to and retired by the Company.

On February 1, 1994, the Company redeemed and retired all the outstanding preferred shares of the $6.00 Series (7,800 shares) and $8.25 Series (4,440 shares) at the stated redemption price of $101 per share, for $1.2 million.

Both the $4.75 Series and the $7.00 Series are redeemable at the option of the Company, and in November an offer to purchase the $7.00 Series at the stated redemption price of $100 per share was extended to all holders of this stock. The Company has redeemed and retired 245 shares of the $7.00 Series as of December 31, 1994. Since there is no premium associated with the redemption, approval from the BPU was not required.

Independent Auditors' Report

MIDDLESEX WATER COMPANY:

[LOGO]

We have audited the accompanying consolidated balance sheets and consolidated statements of capital stock and long-term debt of Middlesex Water Company and its subsidiaries as of December 31, 1994 and 1993 and the related consolidated statements of income, retained earnings and of cash flows for each of the three years in the period ended December 31, 1994. 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 generally accepted auditing standards. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Middlesex Water Company and its subsidiaries at December 31, 1994 and 1993 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Parsippany, New Jersey
February 13, 1995

CONSOLIDATED SELECTED FINANCIAL DATA
(Thousands of Dollars Except per Share Data)

	1994	1993	1992 (1)	1991	1990	1989	1984
OPERATING REVENUES	$ 36,122	$ 35,479	$ 30,861	$ 29,853	$ 26,417	$ 23,499	$ 19,100
OPERATING EXPENSES:							
Operations and Maintenance	16,798	16,584	14,681	13,454	13,185	11,544	8,487
Depreciation	2,650	2,376	1,961	1,834	1,592	1,398	945
Taxes, other than Income Taxes	5,343	5,222	4,620	5,132	4,201	3,827	2,863
Income Taxes	2,766	3,072	2,351	2,377	1,426	1,415	1,927
TOTAL OPERATING EXPENSE	27,557	27,254	23,613	22,797	20,404	18,184	14,222
OPERATING INCOME	8,565	8,225	7,248	7,056	6,013	5,315	4,878
OTHER INCOME/(EXPENSE) - NET	(26)	269	481	205	282	670	124
INCOME BEFORE INTEREST CHARGES	8,539	8,494	7,729	7,261	6,295	5,985	5,002
INTEREST CHARGES	3,044	3,014	3,267	3,156	2,828	2,998	2,151
NET INCOME	5,495	5,480	4,462	4,105	3,467	2,987	2,851
PREFERRED STOCK DIVIDEND REQUIREMENTS	188	256	186	161	166	171	194
EARNINGS APPLICABLE TO COMMON STOCK	$ 5,307	$ 5,224	$ 4,276	$ 3,944	$ 3,301	$ 2,816	$ 2,657
EARNINGS PER SHARE OF COMMON STOCK	$ 1.33	$ 1.33	$ 1.20	$ 1.14	$ 0.96	$ 0.91	$ 1.02
Average Number of Shares Outstading for the Year	4,003,393	3,924,363	3,568,499	3,477,406	3,439,042	3,089,968	2,609,012
Dividends Declared and Paid	$ 1.053/4	$ 1.011/4	$ 0.97	$ 0.941/2	$ 0.921/2	$ 0.893/4	$ 0.711/4
Total Assets	$ 132,413	$ 125,676	$ 113,843	$ 100,014	$ 93,093	$ 92,058	$ 70,118
Redeemable Preferred Stock	--	$ 1,158	$ 1,224	$ 1,290	$ 1,356	$ 1,422	$ 1,752
Long-term Debt	$ 49,500	$ 37,000	$ 42,550	$ 45,350	$ 39,350	$ 39,350	$ 30,610

STATISTICAL SUMMARY

	1994	1993	1992 (1)	1991	1990	1989	1984
REVENUES (Thousands of Dollars):							
Residential	$ 14,306	$ 14,042	$ 11,733	$ 11,624	$ 10,533	$ 9,890	$ 9,007
Commercial	4,282	4,170	3,616	3,549	3,287	2,968	2,288
Industrial	6,598	6,481	6,044	5,768	5,349	4,829	4,711
Fire Protection	4,352	4,312	3,905	3,772	3,512	3,166	2,671
Contract Sales	6,322	6,232	5,477	5,098	3,635	2,622	192
Other	262	242	86	42	101	24	231
TOTAL REVENUES	$ 36,122	$ 35,479	$ 30,861	$ 29,853	$ 26,417	$ 23,499	$ 19,100
CAPITALIZATION RATIOS:							
Long-term Debt	51%	50%	49%	56%	53%	53%	54%
Preferred Stock	3	4	5	3	4	4	5
Common Stock Equity	46	46	46	41	43	43	41
TOTAL RATIOS	100%	100%	100%	100%	100%	100%	100%
BOOK VALUE OF COMMON STOCK	$ 11.13	$ 10.77	$ 10.29	$ 9.44	$ 9.25	$ 9.21	$ 7.89
Meters in Service	58,371	57,318	56,340	52,356	52,167	51,931	49,240
Population Served (Retail)	233,000	229,000	225,000	209,000	209,000	208,000	197,000
Miles of Main (2)	663	661	655	654	647	644	622
Fire Hydrants (2)	4,092	4,072	4,046	4,024	4,011	3,986	3,744
Pumpage (million gallons)	16,794	16,789	15,174	14,572	13,390	12,688	9,207

(1) Includes Tidewater Utilities, Inc. as of October 20, 1992.
(2) Excludes Tidewater Utilities, Inc.

EXHIBIT 23

Independent Auditors' Consent

We consent to the incorporation by reference in Registration Statement No. 33-11717 of Middlesex Water Company on Form S-3 of our report dated February 13, 1995 incorporated by reference in this Annual Report on Form 10-K of Middlesex Water Company and its subsidiaries for the year ended December 31, 1994

DELOITTE & TOUCHE LLP
Parsippany, New Jersey
March 28, 1995

UT
0000066004
MIDDLESEX WATER COMPANY

12-MOS
DEC-31-1994
DEC-31-1994
PER-BOOK
108,743,013
400,209
12,952,555
10,316,981
0
132,412,758
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2,790,105
49,500,000
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0
0
0
0
0
35,271,558
132,412,758
36,122,475
2,766,361
24,791,314
27,557,675
8,564,800
(25,731)
8,539,069
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5,307,015
4,231,410
2,885,250
8,841,516
1.33
1.33