

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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

For Quarter Ended: September 30, 2000  
-----

Commission File  
No. 0-422  
-----

MIDDLESEX WATER COMPANY  
-----

(Exact name of registrant as specified in its charter)

INCORPORATED IN NEW JERSEY  
-----

22-1114430  
-----

(State or other jurisdiction of  
incorporation or organization)

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

1500 RONSON ROAD, ISELIN, NJ  
-----

08830  
-----

(Address of principal executive offices)

(Zip Code)

(732) 634-1500  
-----

(Registrant's telephone number, including area code)

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

YES [ X ] NO [ ]

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

Class -----	Outstanding at September 30, 2000 -----
Common Stock, No Par Value	5,029,553

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MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2000	1999	2000	1999	2000	1999
Operating Revenues	\$14,386,999	\$15,392,145	\$41,425,330	\$40,884,826	\$54,037,657	\$51,508,352
Operating Expenses:						
Operations	7,057,061	6,938,208	21,168,803	19,664,043	27,773,107	24,876,649
Maintenance	692,062	662,487	2,008,416	1,908,947	2,718,148	2,427,944
Depreciation	1,170,734	1,023,154	3,477,375	2,762,078	4,599,947	3,599,876
Other Taxes	1,871,767	1,952,789	5,304,962	5,245,111	6,930,956	6,766,475
Federal Income Taxes	900,843	1,200,064	2,191,868	2,762,344	2,618,417	3,339,185
Total Operating Expenses	11,692,467	11,776,702	34,151,424	32,342,523	44,640,575	41,010,129
Operating Income	2,694,532	3,615,443	7,273,906	8,542,303	9,397,082	10,498,223
Other Income:						
Allowance for Funds Used During Construction	76,277	241,946	121,041	1,318,782	152,275	1,715,670
Other - Net	36,700	101,714	111,965	484,718	188,238	667,234
Total Other Income	112,977	343,660	233,006	1,803,500	340,513	2,382,904
Income Before Interest Charges	2,807,509	3,959,103	7,506,912	10,345,803	9,737,595	12,881,127
Interest Charges	1,270,066	1,178,544	3,694,872	3,500,014	4,890,303	4,698,943
Net Income	1,537,443	2,780,559	3,812,040	6,845,789	4,847,292	8,182,184
Preferred Stock Dividend Requirements	63,697	77,697	191,090	237,090	254,786	316,786
Earnings Applicable to Common Stock	\$ 1,473,746	\$ 2,702,862	\$ 3,620,950	\$ 6,608,699	\$ 4,592,506	\$ 7,865,398
Earnings per share of Common Stock:						
Basic	\$ 0.29	\$ 0.55	\$ 0.72	\$ 1.34	\$ 0.92	\$ 1.64
Diluted	\$ 0.29	\$ 0.54	\$ 0.72	\$ 1.32	\$ 0.92	\$ 1.62
Average Number of Common Shares Outstanding :						
Basic	5,024,431	4,931,874	5,014,937	4,915,835	5,001,054	4,794,792
Diluted	5,196,001	5,156,139	5,186,507	5,141,533	5,181,804	5,020,673
Cash Dividends Paid per Common Share	\$ 0.30 1/2	\$ 0.29 1/2	\$ 0.91 1/2	\$ 0.88 1/2	\$ 1.22	\$ 1.18

See Notes to Consolidated Financial Statements.

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MIDDLESEX WATER COMPANY  
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	September 30, 2000	December 31, 1999
	(Unaudited)	-----
UTILITY PLANT:		
Water Production	\$ 66,027,969	\$ 70,316,961
Transmission and Distribution	133,168,232	122,002,931
General	19,987,765	19,717,575
Construction Work in Progress	4,731,878	2,858,703
TOTAL	223,915,844	214,896,170
Less Accumulated Depreciation	38,107,925	35,174,531
UTILITY PLANT-NET	185,807,919	179,721,639

NONUTILITY ASSETS-NET	2,605,402	2,087,498
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	3,476,842	5,169,772
Temporary Cash Investments-Restricted	4,362,754	5,731,827
Accounts Receivable (net of allowance for doubtful accounts)	6,224,226	5,969,546
Unbilled Revenues	3,001,762	2,627,863
Materials and Supplies (at average cost)	1,195,800	956,950
Prepayments and Other Current Assets	661,282	616,224
	-----	-----
TOTAL CURRENT ASSETS	18,922,666	21,072,182
	-----	-----
DEFERRED CHARGES:		
Unamortized Debt Expense	2,985,378	3,029,362
Preliminary Survey and Investigation Charges	513,473	472,287
Regulatory Assets		
Income Taxes	5,955,879	5,955,879
Post Retirement Costs	1,063,228	1,127,884
Other	1,789,178	1,568,934
	-----	-----
TOTAL DEFERRED CHARGES	12,307,136	12,154,346
	-----	-----
TOTAL	\$219,643,123	\$215,035,665
	=====	=====

See Notes to Consolidated Financial Statements

MIDDLESEX WATER COMPANY  
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	September 30, 2000	December 31, 1999
	----- (Unaudited)	-----
CAPITALIZATION (see accompanying statements)	\$156,694,622	\$156,882,012
	-----	-----
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	168,739	201,921
Notes Payable	6,025,000	2,000,000
Accounts Payable	2,267,028	3,392,432
Taxes Accrued	6,599,050	5,358,737
Interest Accrued	926,972	1,760,470
Other	1,705,206	1,591,706
	-----	-----
TOTAL CURRENT LIABILITIES	17,691,995	14,305,266
	-----	-----
DEFERRED CREDITS:		
Customer Advances for Construction	11,333,685	11,775,581
Accumulated Deferred Investment Tax Credits	2,030,687	2,089,650
Accumulated Deferred Federal Income Taxes	12,348,036	12,113,286
Employee Benefit Plans	5,419,328	4,656,575
Other	1,527,361	1,059,206
	-----	-----
TOTAL DEFERRED CREDITS	32,659,097	31,694,298
	-----	-----
CONTRIBUTIONS IN AID OF CONSTRUCTION	12,597,409	12,154,089
	-----	-----
TOTAL	\$219,643,123	\$215,035,665
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	September 30, 2000	December 31, 1999
	----- (Unaudited)	-----
<b>CAPITALIZATION:</b>		
Common Stock, No Par Value		
Shares Authorized, 10,000,000		
Shares Outstanding - 2000 - 5,029,553; 1999 - 5,000,589	\$ 48,531,691	\$ 47,593,514
Retained Earnings	21,930,244	22,895,844
	-----	-----
TOTAL COMMON EQUITY	70,461,935	70,489,358
	-----	-----
Cumulative Preference Stock, No Par Value		
Shares Authorized, 100,000; Shares Outstanding, None		
Cumulative Preferred Stock, No Par Value, Shares Authorized - 140,497		
Convertible:		
Shares Outstanding, \$7.00 Series - 14,881	1,562,505	1,562,505
Shares Outstanding, \$8.00 Series - 12,000	1,398,857	1,398,857
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1,017	101,700	101,700
Shares Outstanding, \$4.75 Series - 10,000	1,000,000	1,000,000
	-----	-----
TOTAL CUMULATIVE PREFERRED STOCK	4,063,062	4,063,062
	-----	-----
Long-term Debt:		
8.05% Amortizing Secured Note, due December 20, 2021	3,333,636	3,371,527
First Mortgage Bonds:		
7.25%, Series R, due July 1, 2021	6,000,000	6,000,000
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
5.35%, Series W, due February 1, 2038	23,000,000	23,000,000
0.00%, Series X, due August 1, 2018	970,667	1,024,986
4.53%, Series Y, due August 1, 2018	1,095,000	1,135,000
0.00%, Series Z, due September 1, 2019	2,089,061	2,150,000
5.25%, Series AA, due September 1, 2019	2,350,000	2,350,000
	-----	-----
SUBTOTAL LONG-TERM DEBT	82,338,364	82,531,513
	-----	-----
Less: Current Portion of Long-term Debt	(168,739)	(201,921)
	-----	-----
TOTAL LONG-TERM DEBT	82,169,625	82,329,592
	-----	-----
TOTAL CAPITALIZATION	\$ 156,694,622	\$ 156,882,012
	=====	=====
	Nine Months Ended September 30, 2000	Year Ended December 31, 1999
	----- (Unaudited)	-----
<b>RETAINED EARNINGS:</b>		
BALANCE AT BEGINNING OF PERIOD	\$22,895,844	\$21,222,294
Net Income	3,812,040	7,881,041
	-----	-----
TOTAL	26,707,884	29,103,335
	-----	-----
Cash Dividends:		
Cumulative Preferred Stock	191,090	300,786
Common Stock	4,586,550	5,857,405
Common Stock Expenses	0	49,300
	-----	-----
TOTAL DEDUCTIONS	4,777,640	6,207,491
	-----	-----
BALANCE AT END OF PERIOD	\$21,930,244	\$22,895,844
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2000	1999	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net Income	\$ 3,812,040	\$ 6,845,789	\$ 4,847,292	\$ 8,182,184
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	3,656,228	3,070,261	4,889,159	4,063,766
Provision for Deferred Income Taxes	234,750	(132,372)	242,807	(197,963)
Allowance for Funds Used During Construction	(121,041)	(1,318,782)	(152,275)	(1,715,670)
Changes in Current Assets and Liabilities:				
Accounts Receivable	(255,123)	(1,499,983)	161,381	(1,220,773)
Accounts Payable	(1,126,167)	(1,328,163)	(257,231)	(1,559,398)
Accrued Taxes	1,240,313	1,162,257	216,124	832,025
Accrued Interest	(833,498)	(1,019,444)	245,086	(12,994)
Unbilled Revenues	(373,899)	(601,800)	(101,814)	(304,469)
Employee Benefit Plans	762,753	680,706	976,106	954,331
Other-Net	(91,138)	(362,690)	382,620	289,662
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>6,905,218</b>	<b>5,495,779</b>	<b>11,449,255</b>	<b>9,310,701</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Utility Plant Expenditures*	(9,932,019)	(15,394,729)	(17,819,025)	(22,905,963)
Note Receivable	(28,500)	47,512	2,730,090	72,755
Preliminary Survey and Investigation Charges	(41,186)	(113,498)	(123,773)	(139,356)
Other-Net	40,671	(225,676)	107,751	(453,989)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(9,961,034)</b>	<b>(15,686,391)</b>	<b>(15,104,957)</b>	<b>(23,426,553)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Redemption of Long-term Debt	(193,149)	(59,655)	(205,224)	(70,694)
Proceeds from Issuance of Long-term Debt	--	--	4,500,000	2,185,000
Short-term Bank Borrowings	4,025,000	--	5,025,000	(3,500,000)
Deferred Debt Issuance Expenses	--	(1,864)	(20,404)	(29,968)
Temporary Cash Investments-Restricted	1,369,073	7,083,321	(1,670,003)	8,803,824
Proceeds from Issuance of Common Stock-Net	938,177	803,459	1,239,187	13,235,973
Payment of Common Dividends	(4,586,549)	(4,348,788)	(6,095,166)	(5,638,274)
Payment of Preferred Dividends	(191,090)	(237,090)	(254,786)	(316,787)
Construction Advances and Contributions-Net	1,424	2,038,064	138,283	2,247,030
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,362,886</b>	<b>5,277,447</b>	<b>2,656,887</b>	<b>16,916,104</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,692,930)</b>	<b>(4,913,165)</b>	<b>(998,815)</b>	<b>2,800,252</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>5,169,772</b>	<b>9,388,822</b>	<b>8,588,217</b>	<b>1,675,405</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 3,476,842</b>	<b>\$ 4,475,657</b>	<b>\$ 7,589,402</b>	<b>\$ 4,475,657</b>

\* Excludes Allowance for Funds Used During Construction

**SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:**

Cash Paid During the Period for:

Interest (net of amounts capitalized)	\$ 4,274,374	\$ 3,094,507	\$ 4,317,278	\$ 2,852,353
Income Taxes	\$ 1,101,450	\$ 2,322,350	\$ 2,507,800	\$ 3,279,200

See Notes to Consolidated Financial Statements



Note 1 - Summary of Significant Accounting Policies

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

The consolidated notes accompanying the 1999 Form 10-K are applicable to this report and, in the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2000 and the results of operations and its cash flows for the periods ended September 30, 2000 and 1999. Information included in the Balance Sheet as of December 31, 1999, has been derived from the Company's audited financial statements included in its annual report on Form 10-K for the year ended December 31, 1999.

Note 2 - Regulatory Matters

Three base rate increase petitions were filed with the New Jersey Board of Public Utilities (BPU).

	Middlesex -----	Pinelands Water -----	Pinelands Wastewater -----
Date Filed	June 22, 2000	July 7, 2000	July 7, 2000
Amount	\$ 6.6 million	\$ 0.1 million	\$ 0.2 million
% Increase	15.92%	31.3%	22.3%
Return on Equity	11.80%	12.00%	12.00%
Last Increase	May 13, 1999	January 28, 1999	January 28, 1999

The requested increases are necessary to cover higher operations and maintenance costs, depreciation and taxes. In addition, continued significant plant investment in the Middlesex system also contributed to the rate request.

The last rate increase for the Pinelands Companies represented the final stage of a three-phase implementation. The first increase was effective January 28, 1997. The Company does not expect the three rate matters to be resolved until after the close of this calendar year.



On March 31, 2000, Tidewater amended its base rate increase petition from 38.3% to 21.2%. The original petition was filed with the Delaware Public Service Commission (PSC) in September 1999. The lower request was due mostly to lower than projected capital expenditures. Evidentiary hearings were held in mid-April 2000.

The hearing examiner issued his report in late June 2000, which recommended an increase of approximately 5.50%. This matter was brought before the PSC on September 12, 2000, at which time the Company was granted a 2.76% rate increase. The PSC disallowed any recognition of acquisition adjustments and applied a 0.75% credit against the allowed return of equity of 10.0% due to quality of service issues. This credit may be removed by the PSC upon receipt of satisfactory evidence that Tidewater has resolved the quality issues that arose during the course of the rate proceedings.

Due to unresolved issues with tariff design, this matter is not expected to be finalized until late November 2000. At that time, an effective date will be authorized by the PSC. Because Tidewater implemented a 14.8% interim rate increase on November 19, 1999, it will be required to refund, along with interest, by way of billing credits, the difference to its customers retroactive to the date interim rates were put into effect. These billing refunds will not affect earnings since Tidewater has been deferring recognition of those revenues until a decision is reached by the PSC. Interest expense is expected to be calculated and recorded in the fourth quarter of 2000.

#### Note 3 - Capitalization

Common Stock - During the three months ended September 30, 2000, 9,750 common shares (\$0.3 million) were issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan.

#### Note 4 - Earnings Per Share

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

	Three Months Ended September 30,		(Amounts in Thousands) Nine Months Ended September 30,				Twelve Months Ended September 30,					
	2000 Income	1999 Shares	2000 Income	1999 Shares	2000 Income	1999 Shares	2000 Income	1999 Shares	2000 Income	1999 Shares		
Basic:												
Net Income	\$1,537	5,025	\$2,781	4,932	\$3,812	5,015	\$6,846	4,916	\$4,847	5,001	\$8,183	4,795
Preferred Dividend	(64)		(78)		(191)		(237)		(255)		(317)	
Earnings Applicable to Common Stock	\$1,473	5,025	\$2,703	4,932	\$3,621	5,015	\$6,609	4,916	\$4,592	5,001	\$7,866	4,795
Basic EPS	\$0.29		\$0.55		\$ .72		\$1.34		\$ .92		\$1.64	
Diluted:												
Earnings Applicable to Common Stock	\$1,473	5,025	\$2,703	4,932	\$3,621	5,015	\$6,609	4,916	\$4,592	5,001	\$7,866	4,795
\$7.00 Series Dividend	26	89	26	89	78	89	78	89	104	89	104	89
\$8.00 Series Dividend	24	82	38	135	72	82	118	136	96	92	158	137
Adjusted Earnings Applicable to Common Stock	\$1,523	5,196	\$2,767	5,156	\$3,771	5,186	\$6,805	5,141	\$4,792	5,182	\$8,128	5,021
Diluted EPS	\$0.29		\$0.54		\$ .72		\$1.32		\$ .92		\$1.62	

Note 5 - Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. It also operates a regulated wastewater system in New Jersey. The Company is subject to regulations as to its rates, services and other matters by the States of New Jersey and Delaware with respect to utility service within these States. The other segment is the non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware. On January 1, 1999 the Company began operating the water and wastewater systems of the City of Perth Amboy, New Jersey under a service contract. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements. Inter-segment transactions relating to operational costs are treated as pass through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender.

	(Amounts in Thousands)					
	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	September 30 2000	September 30 1999	September 30 2000	September 30 1999	September 30 2000	September 30 1999
Operations by Segments:						
Revenues:						
Regulated	\$ 12,656	\$ 13,504	\$ 36,235	\$ 35,380	\$ 46,902	\$ 45,911
Non - Regulated	1,740	1,897	5,217	5,534	7,171	5,632
Inter-segment Elimination	(9)	(9)	(27)	(29)	(36)	(35)
Consolidated Revenues	\$ 14,387	\$ 15,392	\$ 41,425	\$ 40,885	\$ 54,037	\$ 51,508
Operating Income:						
Regulated	\$ 2,603	\$ 3,363	\$ 6,957	\$ 7,937	\$ 8,758	\$ 9,892
Non - Regulated	92	252	317	605	639	606
Inter-segment Elimination	--	--	--	--	--	--
Consolidated Operating Income	\$ 2,695	\$ 3,615	\$ 7,274	\$ 8,542	\$ 9,397	\$ 10,498
Depreciation/Amortization:						
Regulated	\$ 1,156	\$ 1,015	\$ 3,437	\$ 2,739	\$ 4,557	\$ 3,581
Non - Regulated	15	8	40	23	43	19
Inter-segment Elimination	--	--	--	--	--	--
Consolidated Depreciation/Amortization	\$ 1,171	\$ 1,023	\$ 3,477	\$ 2,762	\$ 4,600	\$ 3,600
Other Income:						
Regulated	\$ 287	\$ 928	\$ 891	\$ 2,970	\$ 1,339	\$ 3,672
Non - Regulated	--	--	(3)	--	(3)	--
Inter-segment Elimination	(174)	(585)	(655)	(1,166)	(995)	(1,289)
Consolidated Other Income	\$ 113	\$ 343	\$ 233	\$ 1,804	\$ 341	\$ 2,383
Interest Expense:						
Regulated	\$ 1,437	\$ 1,298	\$ 4,145	\$ 3,766	\$ 5,471	\$ 5,047
Non - Regulated	25	62	69	176	97	214
Inter-segment Elimination	(192)	(181)	(519)	(442)	(678)	(562)
Consolidated Interest Expense	\$ 1,270	\$ 1,179	\$ 3,695	\$ 3,500	\$ 4,890	\$ 4,699
Net Income:						
Regulated	\$ 1,453	\$ 2,994	\$ 3,703	\$ 7,141	\$ 4,625	\$ 8,516
Non - Regulated	67	190	245	429	539	393
Inter-segment Elimination	17	(403)	(136)	(724)	(317)	(727)
Consolidated Net Income	\$ 1,537	\$ 2,781	\$ 3,812	\$ 6,846	\$ 4,847	\$ 8,182
Capital Expenditures:						
Regulated	4,037	\$ 5,013	\$ 9,405	\$ 15,395	\$ 17,280	\$ 22,899
Non - Regulated	7	--	527	147	539	154
Inter-segment Elimination	--	--	--	--	--	--
Total Capital Expenditures	\$ 4,044	\$ 5,013	\$ 9,932	\$ 15,542	\$ 17,819	\$ 23,053

	As of September 30, 2000 -----	As of December 31, 1999 -----
Assets:		
Regulated	\$ 236,499	\$ 231,650
Non - Regulated	3,074	2,405
Inter-segment Elimination		
	(19,930)	(19,019)
	-----	-----
Consolidated Assets	\$ 219,643	\$ 215,036

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

Results of Operations - Three Months Ended September 30, 2000

Operating revenues fell \$1.0 million for the quarter due to weather related consumption decreases in our New Jersey service territory. Continued customer growth in our Delaware operations helped to offset the effect of similar consumption decreases. Our customer base in Delaware grew by over 23%, which includes the acquisition of 12 mobile home park water systems in early 2000.

Operating expense declined by \$0.1 million, which reflects a \$0.3 million decline in Federal income taxes and includes higher water treatment costs of \$0.2 million. Depreciation expense increased 14.4% over the same period from last year. The improvements to Middlesex primary treatment facility, the Carl J. Olsen Treatment Plant (CJO Plant), were placed in service July 1999 causing most of the increase in depreciation expense. Other taxes declined due to lower revenue related taxes for New Jersey revenues.

Other income fell by \$0.2 million compared to the same three-month period in 1999. With the completion of the CJO Plant, we ceased recording an Allowance for Funds Used During Construction (AFUDC), which resulted in a decrease of just under \$0.2 million. Interest income decreased due to a lower level of funds available for short-term investment.

Net income fell 44.7% to \$1.5 million due mostly to the benefit of the net financing activity realized during the construction phase of the CJO Plant upgrade in the prior year and higher operations costs.

The preferred stock dividend requirement decreased by 18% as a result of the partial exercise of the conversion feature of the \$8.00 Series of Preferred Stock in late 1999.

Results of Operations - Nine Months Ended September 30, 2000

Operating revenues rose \$0.5 million or 1.3% for the year. The 1999 rate increases for our New Jersey operations, which accounted for \$2.0 million, were completely offset by weather related consumption decreases. Customer growth in our Delaware operations contributed \$0.5 million.

Operations expenses rose \$1.8 million or 5.6%, which is attributable to all operating categories except income taxes. Some of the more significant increases were for water treatment costs, which increased \$0.6 million and labor and benefits, which added \$0.5 million.

Depreciation expense increased \$0.7 million or 25.9% as a result of the CJO Plant completion in July 1999.

The expense for Federal income taxes fell \$0.6 million reflecting lower earnings during the year.

Other income fell \$1.6 million with lower AFUDC accounting for approximately \$1.2 million of the decline and lower earnings on excess funds falling by \$0.4 million.

Net income fell 44.3% to \$3.8 million due mostly to the benefit of the net financing activity realized during the construction phase of the CJO Plant upgrade in the prior year, higher operations costs and increased depreciation expense.

The 19.4% decrease in preferred stock dividend requirements reflects the partial exercise of the conversion feature of the \$8.00 Series of Preferred Stock in late 1999.

#### Results of Operations - Twelve Months Ended September 30, 2000

Operating revenues rose \$2.5 million or 4.9% for the twelve-month period. The 1999 rate increases for our New Jersey operations accounted for \$3.2 million. Current year weather patterns and last year's mid-summer drought restrictions decreased our New Jersey consumption revenues by \$2.4 million. A one-time refund to a large industrial customer of Middlesex also reduced revenues by \$0.7 million. Customer and consumption growth in our Delaware operations contributed an additional \$0.6 million to revenues. Contract services revenues for the operation of the Perth Amboy water and wastewater systems increased \$1.9 million. USA-PA initiated services under this contract on January 1, 1999.

Operating expenses for the twelve months increased 8.9% or \$3.6 million. Forty-four percent of the increase is due to a full years worth of costs associated with the service contract to operate the water and wastewater systems of Perth Amboy. There were also increases in water treatment costs of \$ 0.9 million, labor and benefits of \$ 0.6 million,. Maintenance expenses increased 12.0% due to increased emergency repairs for main and service breaks in both New Jersey and Delaware. Most of the depreciation expense increase of \$1.0 million or 27.8% was a result of the CJO Plant completion in July 1999.

Taxes other than income taxes increased \$0.2 million. Revenue related taxes were up due to the higher rate related revenues in New Jersey.

Income taxes fell 21.6%, which reflects current lower earnings. The decline was somewhat offset by lower deferred tax benefits in the current period.

Other income fell \$2.0 million with lower AFUDC accounting for approximately \$1.6 million of the decline and lower earnings on excess funds accounting for the balance of the decline.

Net income fell 40.7% to \$4.8 million due mostly to the benefit of the net financing activity realized during the construction phase of the CJO Plant upgrade in the prior year, higher operations costs and increased depreciation expense.

The 19.6% decrease in preferred stock dividend requirements reflects the partial exercise of the conversion feature of the \$8.00 Series of Preferred Stock in late 1999.

## Capital Resources

The Company's capital program for 2000 is estimated to be \$14.4 million and includes \$4.0 million for water system additions and improvements for our Delaware systems and \$3.0 million for the RENEW Program, which is our program to clean and cement line approximately nine miles of unlined mains in the Middlesex System. There is a total of approximately 160 miles of unlined mains in the 670 mile Middlesex System. Final expenditures on the upgrade to the CJO Plant are estimated at \$2.2 million. The capital program also includes \$5.2 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$1.1 million for mains, \$0.8 million for service lines, \$0.4 million for meters, \$0.3 million for hydrants, \$0.1 million for computer systems and \$2.5 million for various other items.

## Liquidity

Middlesex issued \$4.5 million of First Mortgage Bonds in November 1999 through the New Jersey State Revolving Fund (SRF). \$2.2 million of that financing will be used to cover the cost of the 2000 RENEW Program. The balance will be used to fund the 2001 RENEW program. The capital program in Delaware will be financed through a combination of a capital contribution from Middlesex and long-term debt financing from either a financial institution or the Company. Other capital expenditures will be financed through internally generated funds and sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan (DRP). Capital expenditures of \$9.9 million have been incurred during the nine months ended September 30, 2000. The Company may also utilize short-term borrowings through \$18.0 million of available lines of credit it has with two commercial banks for working capital purposes. At September 30, 2000, there was \$6.0 million outstanding against the lines of credit.

## Accounting Standards

In June 2000, The Financial Accounting Standards Board (FASB) amended SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts. The Company will adopt this accounting standard on January 1, 2001. The Company expects the adoption of this Standard will not have a material impact on the financial statements.

## Outlook

Earnings for 2000 are expected to be at least 35% percent below calendar year 1999 results. In addition, to the discussion in this report on results of operations for nine months, other factors will impact our earnings over the last quarter of the year. Although not as significant as during the normally high demand summer months, we expect continued lower consumption due to the unusual weather patterns experienced in our service territories.

Less than anticipated rate relief in Delaware will reduce our ability to earn a fair and reasonable return on our investment. The Public Service Commission has tentatively approved a 2.76% increase which compares unfavorably to the 21.2% requested increase (See Note 2 to the Consolidated Financial Statements). We have filed for rate relief in our regulated New Jersey franchise areas, but a decision is not expected until after the close of the year 2000.

## Forward Looking Information

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

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

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate, long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$0.2 million of the current portion of four existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings, would not have a material effect on earnings.

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## PART II. OTHER INFORMATION

- Item 1. Legal Proceedings  
None
- Item 2. Changes in Securities  
None
- Item 3. Defaults upon Senior Securities  
None
- Item 4. Submission of Matters to a Vote of Security Holders  
None
- Item 5. Other Information  
None
- Item 6. Exhibits and Reports on Form 8-K  
(a) Exhibits: No. 27, Financial Data Schedule.  
(b) Reports on Form 8-K: None

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SIGNATURE

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

MIDDLESEX WATER COMPANY  
(Registrant)

/s/A. Bruce O'Connor  
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A. Bruce O'Connor  
Vice President and Controller

Date: November 14, 2000

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MIDDLESEX WATER COMPANY

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SEP-30-2000  
PER-BOOK

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