

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2024**

OR

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

For the transition period from _____ to _____

Commission File Number 0-422

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

New Jersey
(State of incorporation)

22-1114430
(IRS employer identification no.)

485C Route One South, Iselin, New Jersey 08830
(Address of principal executive offices, including zip code)

(732) 634-1500
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	MSEX	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The number of shares outstanding of each of the registrant's classes of common stock, as of October 31, 2024: Common Stock, No Par Value: 17,855,200 shares outstanding.

INDEX

PART I.	<u>FINANCIAL INFORMATION</u>	<u>PAGE</u>
Item 1.	<u>Financial Statements (Unaudited):</u>	
	<u>Condensed Consolidated Statements of Income</u>	1
	<u>Condensed Consolidated Balance Sheets</u>	2
	<u>Condensed Consolidated Statements of Cash Flows</u>	3
	<u>Condensed Consolidated Statements of Capital Stock and Long-Term Debt</u>	4
	<u>Condensed Consolidated Statements of Common Stockholders' Equity</u>	5
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3.	<u>Quantitative and Qualitative Disclosures of Market Risk</u>	24
Item 4.	<u>Controls and Procedures</u>	25
PART II.	<u>OTHER INFORMATION</u>	
Item 1.	<u>Legal Proceedings</u>	26
Item 1A.	<u>Risk Factors</u>	26
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
Item 3.	<u>Defaults upon Senior Securities</u>	26
Item 4.	<u>Mine Safety Disclosures</u>	26
Item 5.	<u>Other Information</u>	26
Item 6.	<u>Exhibits</u>	27
SIGNATURES		28

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating Revenues	\$ 55,100	\$ 46,715	\$ 144,770	\$ 127,672
Operating Expenses:				
Operations and Maintenance	25,359	22,581	67,649	64,042
Depreciation	6,309	6,376	18,010	18,546
Other Taxes	5,931	4,936	16,430	14,104
Total Operating Expenses	37,599	33,893	102,089	96,692
Operating Income	17,501	12,822	42,681	30,980
Other Income:				
Allowance for Funds Used During Construction	354	496	787	2,162
Other Income, net	1,614	936	9,202	3,124
Total Other Income, net	1,968	1,432	9,989	5,286
Interest Charges	3,411	3,518	10,721	9,364
Income before Income Taxes	16,058	10,736	41,949	26,902
Income Taxes	1,739	746	6,402	1,143
Net Income	14,319	9,990	35,547	25,759
Preferred Stock Dividend Requirements	29	30	89	90
Earnings Applicable to Common Stock	\$ 14,290	\$ 9,960	\$ 35,458	\$ 25,669
Earnings per share of Common Stock:				
Basic	\$ 0.80	\$ 0.56	\$ 1.99	\$ 1.45
Diluted	\$ 0.80	\$ 0.56	\$ 1.98	\$ 1.44
Average Number of Common Shares Outstanding :				
Basic	17,838	17,758	17,828	17,708
Diluted	17,952	17,873	17,943	17,823

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

		September 30, 2024	December 31, 2023
ASSETS			
UTILITY PLANT:	Water Production	\$ 310,661	\$ 303,791
	Transmission and Distribution	837,233	809,862
	General	104,103	100,593
	Construction Work in Progress	34,995	19,636
	TOTAL	1,286,992	1,233,882
	Less Accumulated Depreciation	249,266	235,540
	UTILITY PLANT - NET	1,037,726	998,342
CURRENT ASSETS:	Cash and Cash Equivalents	6,344	2,390
	Accounts Receivable, net of allowance for credit losses of \$2,424 and \$2,137, respectively in 2024 and 2023	22,703	18,172
	Litigation Settlement Receivable	—	69,872
	Unbilled Revenues	13,418	9,297
	Materials and Supplies (at average cost)	6,550	6,972
	Prepayments	3,131	1,833
	TOTAL CURRENT ASSETS	52,146	108,536
OTHER ASSETS:	Operating Lease Right of Use Asset	2,718	3,185
	Preliminary Survey and Investigation Charges	2,018	1,932
	Regulatory Assets	96,302	90,694
	Non-utility Assets - Net	11,854	11,584
	Employee Benefit Plans	26,851	21,779
	TOTAL OTHER ASSETS	139,743	129,174
	TOTAL ASSETS	\$ 1,229,615	\$ 1,236,052
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	\$ 247,576	\$ 246,764
	Retained Earnings	194,359	176,227
	TOTAL COMMON EQUITY	441,935	422,991
	Preferred Stock	1,889	2,084
	Long-term Debt	352,282	358,153
	TOTAL CAPITALIZATION	796,106	783,228
CURRENT LIABILITIES:	Current Portion of Long-term Debt	7,745	7,740
	Notes Payable	17,500	42,750
	Accounts Payable	32,355	27,618
	Litigation Settlement Payable	—	6,237
	Accrued Taxes	13,408	10,535
	Accrued Interest	2,396	3,138
	Unearned Revenues and Advanced Service Fees	1,555	1,390
	Other	4,953	4,421
	TOTAL CURRENT LIABILITIES	79,912	103,829
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)			
OTHER LIABILITIES:	Customer Advances for Construction	21,542	21,313
	Lease Obligations	2,589	3,063
	Accumulated Deferred Income Taxes	95,413	88,736
	Regulatory Liabilities	53,920	113,021
	Other	437	592
	TOTAL OTHER LIABILITIES	173,901	226,725
CONTRIBUTIONS IN AID OF CONSTRUCTION		179,696	122,270
	TOTAL CAPITALIZATION AND LIABILITIES	\$ 1,229,615	\$ 1,236,052

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 35,547	\$ 25,759
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	20,231	22,106
Provision for Deferred Income Taxes and Investment Tax Credits	408	(4,685)
Equity Portion of Allowance for Funds Used During Construction (AFUDC)	(465)	(1,300)
Cash Surrender Value of Life Insurance	(318)	(144)
Stock Compensation Expense	1,227	1,790
Changes in Assets and Liabilities:		
Accounts Receivable	(4,531)	(2,972)
Unbilled Revenues	(4,121)	(2,657)
Materials and Supplies	422	(228)
Prepayments	(1,298)	(294)
Accounts Payable	4,737	3,757
Accrued Taxes	2,873	(4,019)
Accrued Interest	(742)	11
Employee Benefit Plans	(5,781)	(1,487)
Unearned Revenue and Advanced Service Fees	165	94
Recovered Costs-Litigation Settlement	(8,774)	—
Other Assets and Liabilities	(2,245)	4,255
NET CASH PROVIDED BY OPERATING ACTIVITIES	37,335	39,986
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures, Including AFUDC-Debt of \$322 in 2024 and \$862 in 2023	(49,480)	(73,074)
NET CASH USED IN INVESTING ACTIVITIES	(49,480)	(73,074)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	(6,438)	(16,460)
Proceeds from Issuance of Long-term Debt	592	70,640
Net Short-term Bank Borrowings	(25,250)	(13,250)
Proceeds from Litigation Settlement, net	63,635	—
Deferred Debt Issuance Expense	(54)	(123)
Common Stock Issuance Expense	—	(10)
Payment of Grantee Withholding Taxes in Exchange for Restricted Stock	(1,350)	(619)
Proceeds from Issuance of Common Stock	740	9,025
Payment of Common Dividends	(17,326)	(16,600)
Payment of Preferred Dividends	(89)	(90)
Construction Advances and Contributions-Net	1,639	(283)
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,099	32,230
NET CHANGES IN CASH AND CASH EQUIVALENTS	3,954	(858)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,390	3,828
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 6,344	\$ 2,970
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Utility Plant received as Construction Advances and Contributions	\$ 6,959	\$ 5,954
Litigation Settlement Receivable	\$ (6,237)	\$ 93,163
Litigation Settlement Payable	\$ (6,237)	\$ 27,949
Conversion of Preferred Stock into Common Stock	\$ 194	\$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Year for:		
Interest	\$ 11,695	\$ 9,589
Interest Capitalized	\$ 322	\$ 862
Income Taxes	\$ 2,413	\$ 2,716

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

	September 30, 2024	December 31, 2023
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares Outstanding - 2024 - 17,855; 2023 - 17,821	\$ 247,576	\$ 246,764
Retained Earnings		
	194,359	176,227
TOTAL COMMON EQUITY	\$ 441,935	\$ 422,991
Cumulative Preferred Stock, No Par Value:		
Shares Authorized - 120		
Shares Outstanding - 2024-19; 2023-21		
Convertible:		
Shares Outstanding, \$7.00 Series - 2024-8; 2023-10	\$ 810	\$ 1,005
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1	79	79
Shares Outstanding, \$4.75 Series - 10	1,000	1,000
TOTAL PREFERRED STOCK	\$ 1,889	\$ 2,084
Long-term Debt:		
First Mortgage Bonds, 0.00%-5.50%, due 2026-2059	\$ 274,602	\$ 278,374
Amortizing Secured Notes, 3.94%-7.05%, due 2028-2046	67,616	69,724
State Revolving Trust Notes, 2.00%-4.03%, due 2025-2044	16,671	16,638
SUBTOTAL LONG-TERM DEBT	358,889	364,736
Add: Premium on Issuance of Long-term Debt	6,386	6,529
Less: Unamortized Debt Expense	(5,248)	(5,372)
Less: Current Portion of Long-term Debt	(7,745)	(7,740)
TOTAL LONG-TERM DEBT	\$ 352,282	\$ 358,153

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance at January 1, 2023	17,642	\$ 233,054	\$ 167,274	\$ 400,328
Net Income	—	—	5,868	5,868
Middlesex Water Company Investment Plan	29	2,342	—	2,342
Restricted Stock Award - Net - Employees	—	360	—	360
Cash Dividends on Common Stock (\$0.3125 per share)	—	—	(5,513)	(5,513)
Cash Dividends on Preferred Stock	—	—	(30)	(30)
Balance at March 31, 2023	17,671	\$ 235,756	\$ 167,599	\$ 403,355
Net Income	—	—	9,901	9,901
Middlesex Water Company Investment Plan	46	3,402	—	3,402
Restricted Stock Award - Net - Employees	7	27	—	27
Restricted Stock Award - Board of Directors	5	360	—	360
Cash Dividends on Common Stock (\$0.3125 per share)	—	—	(5,538)	(5,538)
Cash Dividends on Preferred Stock	—	—	(30)	(30)
Balance at June 30, 2023	17,729	\$ 239,545	\$ 171,932	\$ 411,477
Net Income	—	—	9,990	9,990
Middlesex Water Company Investment Plan	42	3,281	—	3,281
Restricted Stock Award - Net - Employees	—	424	—	424
Cash Dividends on Common Stock (\$0.3125 per share)	—	—	(5,549)	(5,549)
Cash Dividends on Preferred Stock	—	—	(30)	(30)
Common Stock Expenses	—	—	(10)	(10)
Balance at September 30, 2023	17,771	\$ 243,250	\$ 176,333	\$ 419,583
Balance at January 1, 2024	17,821	\$ 246,764	\$ 176,227	\$ 422,991
Net Income	—	—	10,682	10,682
Middlesex Water Company Investment Plan	5	252	—	252
Restricted Stock Award - Net - Employees	(12)	(465)	—	(465)
Cash Dividends on Common Stock (\$0.3250 per share)	—	—	(5,738)	(5,738)
Cash Dividends on Preferred Stock	—	—	(30)	(30)
Balance at March 31, 2024	17,814	\$ 246,551	\$ 181,141	\$ 427,692
Net Income	—	—	10,546	10,546
Middlesex Water Company Investment Plan	5	253	—	253
Restricted Stock Award - Net - Employees	3	(187)	—	(187)
Restricted Stock Award - Board of Directors	7	397	—	397
Cash Dividends on Common Stock (\$0.3250 per share)	—	—	(5,793)	(5,793)
Cash Dividends on Preferred Stock	—	—	(30)	(30)
Balance at June 30, 2024	17,829	\$ 247,014	\$ 185,864	\$ 432,878
Net Income	—	—	14,319	14,319
Middlesex Water Company Investment Plan	4	235	—	182
Restricted Stock Award - Net - Employees	—	133	—	186
Conversion of \$7.00 Series Cumulative Convertible Stock	22	194	—	194
Cash Dividends on Common Stock (\$0.3250 per share)	—	—	(5,795)	(5,795)
Cash Dividends on Preferred Stock	—	—	(29)	(29)
Balance at September 30, 2024	17,855	\$ 247,576	\$ 194,359	\$ 441,935

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

MIDDLESEX WATER COMPANY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation and Recent Developments

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

The consolidated notes within the 2023 Annual Report on Form 10-K (the 2023 Form 10-K) are applicable to these financial statements and, in the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary (including normal recurring accruals) to present fairly the Company's financial position as of September 30, 2024, the results of operations for the three and nine month periods ended September 30, 2024 and 2023 and cash flows for the nine month periods ended September 30, 2024 and 2023. Information included in the Condensed Consolidated Balance Sheet as of December 31, 2023, has been derived from the Company's December 31, 2023 audited financial statements included in the 2023 Form 10-K.

Recent Developments

United States Environmental Protection Agency (USEPA) Issues Final Perfluoroalkyl Substances (PFAS) Regulations - In April 2024, the USEPA finalized drinking water regulations for PFAS, establishing maximum contaminant levels (MCLs) for three PFAS compounds (Regulated PFAS) that are lower than the current New Jersey Department of Environmental Protection MCLs adhered to by the Company. Under the new USEPA regulations effective April 2024, water systems must monitor for Regulated PFAS and have three years to complete initial monitoring (by April 2027), followed by ongoing compliance monitoring. Water systems must also provide the public with information on the levels of Regulated PFAS in their drinking water beginning in 2027. Water systems have five years (by April 2029) to implement solutions that reduce Regulated PFAS if monitoring shows that drinking water levels exceed these MCLs.

Beginning in April 2029, water systems that have Regulated PFAS in drinking water which exceeds one or more of these MCLs must take action to reduce levels of these PFAS compounds in their drinking water and must provide notification to the public of the violation.

In anticipation of these new USEPA standards, in 2023, the Company began implementing its strategy to meet these lower MCLs for Regulated PFAS and is currently performing preliminary engineering studies to ensure that effective PFAS treatment approaches are implemented.

The recently issued accounting standards that have not yet been adopted by the Company as of September 30, 2024 are as follows:

Standard	Description	Date of Adoption	Application	Effect on the Condensed Consolidated Financial Statements
Accounting Standards Update (“ASU”) 2023-07 “Improvements to Reportable Segment Disclosures”	The ASU requires disclosure of significant segment expenses, extends certain annual disclosures to interim periods, and additional qualitative disclosures regarding the chief operating decision maker.	The ASU is effective for the Company beginning with its annual financial statements for the year ending December 31, 2024. Early adoption is permitted.	Retrospective	The Company is currently evaluating the requirements of ASU 2023-07.
ASU 2023-09 “Improvements to Income Tax Disclosures”	The ASU amends certain income tax disclosure requirements, including adding requirements to present the reconciliation of income tax expense computed at the statutory rate to actual income tax expense using both percentages and amounts and providing a disaggregation of income taxes paid. Further, certain disclosures are eliminated, including the current requirement to disclose information on changes in unrecognized tax benefits in the next 12 months.	The ASU is effective for the Company beginning with its annual financial statements for the year ending December 31, 2025. Early adoption is permitted.	Prospective, with retrospective application also permitted.	The Company is currently evaluating the requirements of ASU 2023-09.

Note 2 – Rate and Regulatory Matters

Middlesex – The approval by the New Jersey Board of Public Utilities (NJBP) in February 2024 of the negotiated settlement of the Middlesex 2023 base rate case is expected to increase annual operating revenues by \$15.4 million, effective March 1, 2024. The approved tariff rates were designed to recover increased operating costs as well as a return on invested capital of \$563.1 million, based on an authorized return on common equity of 9.6%. Middlesex has made capital infrastructure investments to ensure prudent upgrade and replacement of its utility assets to support continued regulatory compliance, resilience and overall quality of service. In August 2023, Middlesex and 3M Company (3M) executed a settlement agreement (Settlement Agreement) to resolve a lawsuit Middlesex previously initiated claiming 3M introduced PFAS, which includes Perfluorooctanoic Acid (PFOA), into the Company’s water supply for its Park Avenue Wellfield Treatment Plant (Park Avenue Plant). The rate case settlement provides that the net proceeds from the 3M Settlement Agreement were to be used to mitigate the increase in customer rates and reimburse Middlesex for previously incurred costs for the construction of the Park Avenue Plant PFAS treatment upgrades, including depreciation and carrying costs. This resulted in the reclassification of \$48.3 million from Regulatory Liabilities to Contributions in Aid of Construction from the December 31, 2023 balance sheet. In 2024, the Company also recognized the recovery of \$0.9 million for depreciation and \$4.1 million for carrying costs associated with the Park Avenue Plant PFAS treatment upgrades, as well as the recovery of \$1.8 million of previously incurred operating treatment costs while the Park Avenue Plant PFAS treatment upgrades were in process.

The Middlesex Lead Service Line Replacement (LSLR) Plan, which was approved by the NJBPU in January 2024, has commenced and Middlesex submitted a customer surcharge filing with the NJBPU in July 2024 to recover costs incurred replacing Middlesex customer-owned lead service lines. The surcharge is for \$1.4 million of costs incurred through June 2024, which are expected to be recovered between September 2024 and February 2025. The surcharge is required to be reset every six months over the life of the LSLR Plan. Cost recovery for replacing Company-owned lead service lines are recoverable through traditional rate making in connection with general rate case filings.

In October 2024, Middlesex filed a second Distribution System Improvement Charge (DSIC) rate application that is expected to result in \$1.1 million of annual revenues. A DSIC is a rate-mechanism that allows water utilities to recover investments in, and generate a return on, qualifying capital improvements made between general rate case proceedings.

In October 2024, Middlesex filed a petition with the NJBPU seeking approval to set a Purchased Water Adjustment Clause tariff rate to recover additional costs of \$0.6 million for the purchase of treated water from a non-affiliated water utility regulated by the NJBPU.

Tidewater - In September 2024, the Delaware Public Service Commission (DEPSC) approved Tidewater's petition to recover up to \$2.1 million of costs associated with Tidewater's obligation to identify and inventory lead service lines throughout Tidewater's service area, as required by federal law and Delaware regulations. Through September 30, 2024, Tidewater has spent \$1.7 million, which is included in Regulatory Assets and will be recovered through a surcharge mechanism.

In August 2024, Tidewater filed an application with the DEPSC to increase its general rates for water service. In the application, Tidewater seeks an overall increase in annual operating revenue of \$10.3 million or 25.66% over current revenue. The request for rate increases will allow Tidewater to recover prudently incurred investments made in the last ten years to support continued regulatory compliance, enhance water quality, service reliability, security and resiliency of the water utility infrastructure assets. Effective October 30, 2024, Tidewater received approval of the DEPSC to suspend its DSIC rate and implement an interim rate increase, which is expected to result in approximately \$2.5 million of annual revenues, subject to refund pending the outcome of the rate case application.

Twin Lakes Utilities, Inc. (Twin Lakes) – Twin Lakes provides water services to approximately 115 residential customers in Shohola, Pennsylvania. Pursuant to the Pennsylvania Public Utility Code, Twin Lakes filed a petition requesting the Pennsylvania Public Utilities Commission (PAPUC) to order the acquisition of Twin Lakes by a capable public utility. The PAPUC assigned an Administrative Law Judge (ALJ) to adjudicate the matter and submit a recommended decision (Recommended Decision) to the PAPUC. As part of this legal proceeding the PAPUC also issued an Order in January 2021 appointing a large Pennsylvania based investor-owned water utility as the receiver (the Receiver Utility) of the Twin Lakes system until the petition is fully adjudicated by the PAPUC. In November 2021, the PAPUC issued an Order affirming the ALJ's Recommended Decision, ordering the Receiver Utility to acquire the Twin Lakes water system and for Middlesex, the parent company of Twin Lakes, to submit \$1.7 million into an escrow account within 30 days. Twin Lakes immediately filed a Petition For Review (PFR) with the Commonwealth Court of Pennsylvania (the Commonwealth Court) seeking reversal and vacation of the escrow requirement on the grounds that it violates the Pennsylvania Public Utility Code as well as the United States Constitution. In addition, Twin Lakes filed an emergency petition for stay of the PAPUC Order pending the Commonwealth Court's review of the merits arguments contained in Twin Lakes' PFR. In December 2021, the Commonwealth Court granted Twin Lakes' emergency petition, pending its review. In August 2022, the Commonwealth Court issued an opinion upholding PAPUC's November 2021 Order in its entirety. In September 2022, Twin Lakes filed a Petition For Allowance of Appeal (Appeal Petition) to the Supreme Court of Pennsylvania seeking reversal of the Commonwealth Court's decision to uphold the escrow requirement on the grounds that the Commonwealth Court erred in failing to address Twin Lakes' claims that because the \$1.7 million escrow requirement placed on Middlesex violated Middlesex's constitutional rights, Middlesex's refusal to submit this escrow payment would jeopardize the relief Twin Lakes was otherwise entitled to in the appointment of the Receiver Utility. In March 2023, the Supreme Court of Pennsylvania issued a decision denying Twin Lakes' Appeal Petition without addressing this claim on the merits. As a result of the Pennsylvania Courts' failure to address Twin Lakes' claim, Middlesex subsequently filed a Complaint with the United States District Court for the Middle District of Pennsylvania (US District Court) to address the issue of whether the PAPUC's Order violated Middlesex's rights under the United States Constitution. On January 18, 2024, the US District Court issued a decision dismissing Middlesex's complaint without addressing Middlesex's claims on the merits. On January 31, 2024, Middlesex filed a Notice of Appeal of the US District Court's decision with the United States Court of Appeals for the Third Circuit (Third Circuit Court). Briefing before the Third Circuit Court is complete and a three-judge panel will issue a written decision based on the briefs without scheduling any oral arguments. The decision is expected to be issued in the first half of 2025. The estimated loss recorded by the Company related to this matter, the financial results, total assets and financial obligations of Twin Lakes are not material to Middlesex.

Note 3 – Capitalization

Common Stock – During the nine months ended September 30, 2024 and 2023, there were 13,498 common shares (approximately \$0.7 million) and 118,501 common shares (approximately \$9.0 million) respectively, issued under the Middlesex Water Company Investment Plan.

Middlesex has received approval from the NJBPU to issue and sell up to 1.0 million shares of its common stock, without par value, through December 31, 2025. Sales of additional shares of common stock are part of the Company’s comprehensive financing plan to fund its multi-year utility plant infrastructure investment program. As described below in “Long-term Debt”, the NJBPU also approved the debt funding component of the financing plan.

In the third quarter of 2024, 1,849 shares of the Company’s no par \$7.00 Series Cumulative and Convertible Preferred Stock were converted into 22,188 shares (approximately \$0.2 million) of common stock.

Long-term Debt – Subject to regulatory approval, the Company periodically issues long-term debt to fund its investments in utility plant. To the extent possible and fiscally prudent, the Company finances qualifying capital projects under State Revolving Fund (SRF) loan programs in New Jersey and Delaware. These government programs provide financing at interest rates typically below rates available in the broader financial markets. A portion of the borrowings under the New Jersey SRF is interest-free.

Middlesex has received approval from the NJBPU to borrow up to \$300.0 million from the New Jersey SRF Program, the New Jersey Economic Development Authority, private placement and other financial institutions as needed through December 31, 2025. The Company expects to issue debt securities in a series of one or more transaction offerings over a multi-year period to help fund Middlesex’s multi-year capital construction program.

Under the New Jersey SRF program, borrowers first enter into a construction loan agreement with the New Jersey Infrastructure Bank (NJIB) at a below market interest rate. When construction on the qualifying project is substantially complete, NJIB will coordinate the conversion of the construction loan into a long-term securitized loan with a portion of the principal balance having a stated interest rate of zero percent (0%) and a portion of the principal balance at a market interest rate at the time of closing using the credit rating of the State of New Jersey.

Under the Delaware SRF program, borrowers 1) enter into a long-term note agreement for a term not to exceed twenty years, 2) submit requisitions for cost reimbursements during the construction period for up to two years after the agreement is executed and 3) as the proceeds are received from the requisitions, borrowers record a corresponding debt obligation amount.

In May 2024, Tidewater closed on four DEPSC-approved Delaware SRF loans totaling \$5.6 million, all at interest rates of 2.0% with expected maturity dates in 2044. These loans are for the construction, relocation, improvement, and/or interconnection of transmission mains and construction of a water treatment facility. Tidewater has drawn down less than \$0.1 million on these loans as of September 30, 2024. Each project has its own construction timetable with the last spending set to occur in 2026.

In September 2024, Tidewater closed on a \$2.2 million Delaware SRF loan with a 0.0% interest rate with expected maturity dates in 2044. This loan is for costs associated with Tidewater's obligation, as required by federal law and Delaware regulations, to identify and inventory lead service lines throughout Tidewater's service area. Tidewater expects to draw down on this loan in the fourth quarter of 2024.

Separately, Tidewater has two active construction projects funded by prior year Delaware SRF loans totaling \$8.3 million with remaining availability of funds for borrowing. These loans are for the construction of a one million gallon elevated storage tank and construction, relocation, improvement, and interconnection of transmission mains. Tidewater has drawn a total of \$4.9 million through September 30, 2024 and expects that the requisitions will continue through the second quarter of 2025.

Fair Value of Financial Instruments – The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments for which it is practicable to estimate that value. The carrying amounts reflected in the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and notes payable approximate their respective fair values due to the short-term maturities of these instruments. The fair value of First Mortgage Bonds (FMBs) and SRF Bonds (collectively, the Bonds) issued by Middlesex is based on quoted market prices for similar issues. Under the fair value hierarchy, the fair value of cash and cash equivalents is classified as a Level 1 measurement and the fair value of notes payable and the FMBs in the table below are classified as Level 2 measurements. The carrying amount and fair value of the FMBs were as follows:

	(Thousands of Dollars)			
	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FMBs	\$ 129,602	\$ 127,760	\$ 133,374	\$ 131,745

It was not practicable to estimate the fair value on our outstanding long-term debt for which there is no quoted market price and there is not an active trading market. For details, including carrying value, interest rates and due dates on these series of long-term debt, please refer to those series noted as "Amortizing Secured Notes" and "State Revolving Trust Notes" on the Condensed Consolidated Statements of Capital Stock and Long-Term Debt. The carrying amount of these instruments was \$229.3 million and \$231.3 million at September 30, 2024 and December 31, 2023, respectively. Customer advances for construction have carrying amounts of \$21.5 million and \$21.3 million at September 30, 2024 and December 31, 2023, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

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

Note 4 – Earnings Per Share

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

(In Thousands Except per Share Amounts)					
Three Months Ended September 30,					
		2024		2023	
Basic:	Income	Shares	Income	Shares	
Net Income	\$ 14,319	17,838	\$ 9,990	17,758	
Preferred Dividend	(29)		(30)		
Earnings Applicable to Common Stock	\$ 14,290	17,838	\$ 9,960	17,758	
Basic EPS	\$ 0.80		\$ 0.56		
Diluted:					
Earnings Applicable to Common Stock	\$ 14,290	17,838	\$ 9,960	17,758	
\$7.00 Series Preferred Dividend	17	114	17	115	
Adjusted Earnings Applicable to Common Stock	\$ 14,307	17,952	\$ 9,977	17,873	
Diluted EPS	\$ 0.80		\$ 0.56		

(In Thousands Except per Share Amounts)					
Nine Months Ended September 30,					
		2024		2023	
Basic:	Income	Shares	Income	Shares	
Net Income	\$ 35,547	17,828	\$ 25,759	17,708	
Preferred Dividend	(89)		(90)		
Earnings Applicable to Common Stock	\$ 35,458	17,828	\$ 25,669	17,708	
Basic EPS	\$ 1.99		\$ 1.45		
Diluted:					
Earnings Applicable to Common Stock	\$ 35,458	17,828	\$ 25,669	17,708	
\$7.00 Series Preferred Dividend	50	115	51	115	
Adjusted Earnings Applicable to Common Stock	\$ 35,508	17,943	\$ 25,720	17,823	
Diluted EPS	\$ 1.98		\$ 1.44		

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. This segment also includes regulated wastewater systems in New Jersey and Delaware. The Company is subject to regulations as to its rates, services and other matters by New Jersey and Delaware with respect to utility services within these states. The other segment is primarily comprised of non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware. Inter-segment transactions relating to operational costs are treated as pass-through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third-party lender.

	(In Thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Operations by Segments:	2024	2023	2024	2023
Revenues:				
Regulated	\$ 52,252	\$ 43,763	\$ 135,682	\$ 118,625
Non – Regulated	3,325	3,251	9,940	9,649
Inter-segment Elimination	(477)	(299)	(852)	(602)
Consolidated Revenues	\$ 55,100	\$ 46,715	\$ 144,770	\$ 127,672
Operating Income:				
Regulated	\$ 16,673	\$ 12,008	\$ 39,990	\$ 28,543
Non – Regulated	828	814	2,691	2,437
Consolidated Operating Income	\$ 17,501	\$ 12,822	\$ 42,681	\$ 30,980
Net Income:				
Regulated	\$ 13,697	\$ 9,384	\$ 33,576	\$ 24,017
Non – Regulated	622	606	1,971	1,742
Consolidated Net Income	\$ 14,319	\$ 9,990	\$ 35,547	\$ 25,759
Capital Expenditures:				
Regulated	\$ 20,743	\$ 22,415	\$ 49,444	\$ 72,994
Non – Regulated	—	24	36	80
Total Capital Expenditures	\$ 20,743	\$ 22,439	\$ 49,480	\$ 73,074

	As of September 30, 2024	As of December 31, 2023
Assets:		
Regulated	\$ 1,236,131	\$ 1,235,549
Non – Regulated	9,525	8,068
Inter-segment Elimination	(16,041)	(7,565)
Consolidated Assets	\$ 1,229,615	\$ 1,236,052

Note 6 – Short-term Borrowings

The Company maintains lines of credit aggregating \$140.0 million.

	(Millions)		Maximum	Credit Type	Renewal Date
	Outstanding	Available			
Bank of America	\$ —	\$ 60.0	\$ 60.0	Uncommitted	January 24, 2025
PNC Bank	17.5	50.5	68.0	Committed	January 31, 2026
CoBank, ACB	—	12.0	12.0	Committed	May 20, 2026
	\$ 17.5	\$ 122.5	\$ 140.0		

The interest rates are set for borrowings under the Bank of America and PNC Bank lines of credit using the Secured Overnight Financing Rate (SOFR) and then adding a specific financial institution credit spread. The interest rate for borrowings under the CoBank, ACB (CoBank) line of credit are set weekly using CoBank's internal cost of funds index that is similar to the SOFR and adding a credit spread. There is no requirement for a compensating balance under any of the established lines of credit.

The borrowings outstanding under the PNC Bank lines of credit as of September 30, 2024 mature daily and are being rolled over on a daily basis.

The weighted average interest rate on the outstanding borrowings at September 30, 2024 under these credit lines is 5.94%.

The weighted average daily amounts of borrowings outstanding under these credit lines and the weighted average interest rates on those amounts were as follows:

	(In Thousands)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Average Daily Amounts Outstanding	\$ 23,476	\$ 25,015	\$ 44,620	\$ 32,860
Weighted Average Interest Rates	6.41%	6.37%	6.42%	5.89%

Note 7 – Commitments and Contingent Liabilities

Water Supply – Middlesex has an agreement with the New Jersey Water Supply Authority (NJWSA) for the purchase of untreated water through November 30, 2048. This agreement with the NJWSA provides for an average purchase of 27 million gallons a day (mgd) with a peak up to 47.0 mgd. Pricing is set annually by the NJWSA through a public rate making process. The agreement has provisions for additional pricing in the event Middlesex overdrafts or exceeds certain monthly and annual thresholds.

Middlesex also has an agreement with a non-affiliated NJBPU-regulated water utility for the purchase of treated water. This agreement, which expires February 27, 2026, provides for the minimum purchase of 3.0 mgd of treated water with provisions for additional purchases if needed.

Tidewater contracts with the City of Dover in Delaware to purchase treated water of up to 60.0 million gallons annually.

Purchased water costs are shown below:

	(In Thousands)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Treated	\$ 796	\$ 1,607	\$ 2,697	\$ 4,353
Untreated	611	812	2,322	2,352
Total Costs	\$ 1,407	\$ 2,419	\$ 5,019	\$ 6,705

Leases – The Company determines if an arrangement is a lease at inception. Generally, a lease agreement exists if the Company determines that the arrangement gives the Company control over the use of an identified asset and obtains substantially all of the benefits from the identified asset.

The Company has entered into an operating lease of office space for administrative purposes, expiring in 2030. The Company has not entered into any finance leases. The exercise of a lease renewal option for the Company's administrative offices is solely at the discretion of the Company.

The right-of-use (ROU) asset recorded represents the Company's right to use an underlying asset for the lease term and lease liability represents the Company's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company's operating lease does not provide an implicit discount rate and as such the Company used an estimated incremental borrowing rate (4.03%) based on the information available at the commencement date in determining the present value of lease payments.

Given the impacts of accounting for regulated operations, and the resulting recognition of expense at the amounts recovered in customer rates, expenditures for operating leases are consistent with lease expense and were \$0.2 million for each of the three months ended September 30, 2024 and 2023, respectively, and \$0.6 million for each of the nine months ended September 30, 2024 and 2023, respectively.

Information related to operating lease ROU assets and lease liabilities is as follows:

	(In Millions)	
	As of	
	September 30, 2024	December 31, 2023
ROU Asset at Lease Inception	\$ 7.3	\$ 7.3
Accumulated Amortization	(4.6)	(4.1)
ROU Asset	<u>\$ 2.7</u>	<u>\$ 3.2</u>

The Company's future minimum operating lease commitments as of September 30, 2024 are as follows:

	(In Millions)
2024	\$ 0.2
2025	0.8
2026	0.9
2027	0.9
2028	0.9
Thereafter	0.9
Total Lease Payments	<u>\$ 4.6</u>
Imputed Interest	(1.4)
Present Value of Lease Payments	3.2
Less Current Portion*	(0.6)
Non-Current Lease Liability	<u>\$ 2.6</u>

*Included in Other Current Liabilities

Construction – The Company has entered into several construction contracts that, in the aggregate, obligate expenditure of an estimated \$14.5 million in the future. The actual amount and timing of capital expenditures is dependent on the need for upgrade or replacement of existing infrastructure, customer growth, residential new home construction and sales, project scheduling, supply chain issues and continued refinement of project scope and costs. With continued higher mortgage interest rates, as well as other financial market uncertainties, there is no assurance that projected customer growth and residential new home construction and sales will occur.

PFOA Matter – In November 2021, the Company was served with two PFOA-related class action lawsuits seeking restitution for medical, water replacement and other related costs and economic damages. Middlesex and 3M agreed to enter into a joint mediation on these lawsuits. On August 30, 2024, the parties to the two PFOA-related class action lawsuits entered into a signed Settlement Term Sheet (Term Sheet) to resolve both matters. The parties are in the process of memorializing the settlement into a Settlement Agreement that is expected to be completed in the fourth quarter of 2024. The Company does not believe that the Term Sheet nor the anticipated Settlement Agreement, once executed, will have any material financial or operational impact to Middlesex. See Note 2 for additional details.

Contingencies – Based on our operations in the heavily-regulated water and wastewater industries, the Company is routinely involved in disputes, claims, lawsuits and other regulatory and legal matters, including responsibility for fines and penalties relative to regulatory compliance. At this time, Management does not believe the final resolution of any such matters, whether asserted or unasserted, will have a material adverse effect on the Company's financial position, results of operations or cash flows. In addition, the Company maintains business insurance coverage that may mitigate the effect of any current or future loss contingencies.

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

Note 8 – Employee Benefit Plans

Pension Benefits – The Company’s defined benefit pension plan (Pension Plan) covers all active employees hired prior to April 1, 2007. Employees hired after March 31, 2007 are not eligible to participate in this plan, but do participate in a defined contribution plan that provides for a potential annual contribution in an amount at the discretion of the Company, based upon a percentage of the participants’ annual paid compensation. For the three month period ended September 30, 2024, the Company did not make cash contributions to the Pension Plan. For the nine month period ended September 30, 2024, the Company contributed \$2.0 million to the Pension Plan. For the three and nine month periods ended September 30, 2023, the Company did not make cash contributions to the Pension Plan. The Company does not expect to make any additional cash contributions to the Pension Plan over the remainder of the current year.

Other Postretirement Benefits – The Company’s retirement plan other than pensions (Other Benefits Plan) covers substantially all currently eligible retired employees. Employees hired after March 31, 2007 are not eligible to participate in this plan. Coverage includes healthcare and life insurance. For each of the nine month periods ended September 30, 2024 and 2023, the Company did not make cash contributions to its Other Benefits Plan. The Company expects to make additional Other Benefits Plan cash contributions of \$0.9 million over the remainder of the current year.

The following tables set forth information relating to the Company’s periodic costs (benefit) for its employee retirement benefit plans:

	(In Thousands)			
	Pension Benefits		Other Benefits	
	Three Months Ended September 30,			
	2024	2023	2024	2023
Service Cost	\$ 318	\$ 388	\$ 80	\$ 98
Interest Cost	1,070	1,067	328	402
Expected Return on Assets	(1,580)	(1,466)	(846)	(771)
Amortization of Unrecognized Losses	38	164	(275)	(48)
Net Periodic (Benefit) Cost*	\$ (154)	\$ 153	\$ (713)	\$ (319)

	(In Thousands)			
	Pension Benefits		Other Benefits	
	Nine Months Ended September 30,			
	2024	2023	2024	2023
Service Cost	\$ 953	\$ 1,163	\$ 240	\$ 293
Interest Cost	3,210	3,202	985	1,206
Expected Return on Assets	(4,741)	(4,399)	(2,538)	(2,312)
Amortization of Unrecognized Losses	114	493	(824)	(143)
Net Periodic (Benefit) Cost*	\$ (464)	\$ 459	\$ (2,137)	\$ (956)

*Service cost is included Operations and Maintenance expense on the consolidated statements of income; all other amounts are included in Other Income (Expense), net.

Note 9 – Revenue Recognition from Contracts with Customers

The Company's revenues are primarily generated from regulated tariff-based sales of water and wastewater services and non-regulated operation and maintenance contracts for services on water and wastewater systems owned by others. Revenue from contracts with customers is recognized when control of a promised good or service is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The Company's regulated revenue from contracts with customers results from tariff-based sales from the provision of water and wastewater services to residential, industrial, commercial, fire-protection and wholesale customers. Residential customers are billed quarterly while most industrial, commercial, fire-protection and wholesale customers are billed monthly. Payments by customers are due between 15 and 30 days after the invoice date. Revenue is recognized as the water and wastewater services are delivered to customers as well as from accrual of unbilled revenues estimated from the last meter reading date to the end of the accounting period utilizing factors such as historical customer data, regional weather indicators and general economic conditions in the relevant service territories. Unearned Revenues and Advance Service Fees include fixed service charge billings in advance to Tidewater customers recognized as service is provided to the customer.

Non-regulated service contract revenues consist of base service fees, as well as fees for additional billable services provided to customers. Fees are billed monthly and are due within 30 days after the invoice date. The Company considers the amounts billed to represent the value of these services provided to customers. These contracts expire at various times through June 2032 and contain remaining performance obligations for which the Company expects to recognize revenue in the future. These contracts also contain termination provisions.

Substantially all of the amounts included in operating revenues and accounts receivable are from contracts with customers. The Company records its allowance for credit losses based on historical write-offs combined with an evaluation of current economic conditions within its service territories.

The Company's contracts do not contain any significant financing components.

The Company's operating revenues are comprised of the following:

	(In Thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Regulated Tariff Sales				
Residential	\$ 28,889	\$ 25,070	\$ 73,955	\$ 66,726
Commercial	9,693	6,926	24,252	18,553
Industrial	3,799	3,396	10,573	9,041
Fire Protection	3,641	3,203	10,589	9,453
Wholesale	5,839	4,958	15,720	14,479
Non-Regulated Contract Operations	3,208	3,137	9,588	9,309
Total Revenue from Contracts with Customers	\$ 55,069	\$ 46,690	\$ 144,677	\$ 127,561
Other Regulated Revenues	391	210	595	373
Other Non-Regulated Revenues	117	114	350	340
Inter-segment Elimination	(477)	(299)	(852)	(602)
Total Revenue	\$ 55,100	\$ 46,715	\$ 144,770	\$ 127,672

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of Middlesex Water Company (Middlesex or the Company) included elsewhere herein and with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Forward-Looking Statements

Certain statements contained in this periodic report and in the documents incorporated by reference constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The Company intends that these statements be covered by the safe harbors created under those laws. They include, but are not limited to statements as to:

- expected financial condition, performance, prospects and earnings of the Company;
- strategic plans for growth;
- the amount and timing of rate increases and other regulatory matters, including the recovery of certain costs recorded as regulatory assets;
- the Company's expected liquidity needs during the upcoming fiscal year and beyond and the sources and availability of funds to meet its liquidity needs;
- expected customer rates, consumption volumes, service fees, revenues, margins, expenses and operating results;
- financial projections;
- the expected amount of cash contributions to fund the Company's retirement benefit plans, anticipated discount rates and rates of return on plan assets;
- the ability of the Company to pay dividends;
- the Company's compliance with environmental laws and regulations and estimations of the materiality of any related costs;
- the safety and reliability of the Company's equipment, facilities and operations;
- the Company's plans to renew municipal franchises and consents in the territories it serves;
- trends; and
- the availability and quality of our water supply.

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

- effects of general economic conditions;
- increases in competition for growth in non-franchised markets to be potentially served by the Company;
- ability of the Company to adequately control selected operating expenses which are necessary to maintain safe and proper utility services, and which may be beyond the Company's control;
- availability of adequate supplies of quality water;
- actions taken by government regulators, including decisions on rate increase requests;
- new or modified water quality standards and compliance with related legal and regulatory requirements;
- weather variations, including climate variability, and other natural phenomena impacting utility operations;
- financial and operating risks associated with acquisitions and/or privatizations;
- acts of war or terrorism;
- cyber-attacks;
- changes in the pace of new housing development;
- availability and cost of capital resources;
- timely availability of materials and supplies for operations and critical infrastructure projects;
- effectiveness of internal control over financial reporting;
- impact of pandemics; and
- other factors discussed elsewhere in this report.

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

For an additional discussion of factors that may affect the Company's business and results of operations, see Item 1A. - Risk Factors in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Overview

Middlesex Water Company (Middlesex or the Company) has operated as a water utility in New Jersey since 1897 and in Delaware through our wholly-owned subsidiary, Tidewater Utilities, Inc. (Tidewater), since 1992. We are in the business of collecting, treating and distributing water for domestic, commercial, municipal, industrial and fire protection purposes. We operate water and wastewater systems under contract for governmental entities and private entities primarily in New Jersey and Delaware and provide regulated wastewater services in New Jersey. We are regulated by state public utility commissions as to rates charged to customers for water and wastewater services, as to the quality of water and wastewater service we provide and as to certain other matters in the states in which our regulated subsidiaries operate. Only our Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy), Inc. (USA-PA) and White Marsh Environmental Services, Inc. (White Marsh) subsidiaries are not regulated public utilities as related to rates and services quality. All municipal or commercial entities whose utility operations are managed by these entities, however, are subject to environmental regulation at the federal and state levels.

Our principal New Jersey water utility system (the Middlesex System) provides water services to approximately 60,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water sales under contract to municipalities in central New Jersey with a total population of over 0.2 million. Our other New Jersey subsidiaries, Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands) provide water and wastewater services to approximately 2,500 customers in Southampton Township, New Jersey.

Our Delaware subsidiaries, Tidewater and Southern Shores Water Company, LLC, provide water services to approximately 61,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Tidewater's subsidiary, White Marsh, services approximately 4,300 households in Kent and Sussex Counties through various operations and maintenance contracts.

USA-PA operates the water and wastewater systems for the City of Perth Amboy, New Jersey (Perth Amboy) under a 10-year operations and maintenance contract expiring in 2028. In addition to performing day-to-day operations, USA-PA is also responsible for emergency response and management of capital projects funded by Perth Amboy.

USA operates the Borough of Avalon, New Jersey's (Avalon) water utility, sewer utility and storm water system under a ten-year operations and maintenance contract expiring in 2032. USA also operates the Borough of Highland Park, New Jersey's (Highland Park) water and wastewater systems under a 10-year operations and maintenance contract expiring in 2030. In addition to performing day-to-day service operations, USA is responsible for emergency response and management of capital projects funded by Avalon and Highland Park.

Under a marketing agreement with HomeServe USA Corp. (HomeServe) expiring in 2031, USA offers residential customers in New Jersey and Delaware water and wastewater related services and home maintenance programs. HomeServe is a leading national provider of such home maintenance service programs. USA receives a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts. USA also provides unregulated water and wastewater services under contract with several New Jersey municipalities.

Recent Developments

Middlesex Base Rate Increase Approval - In February 2024, the New Jersey Board of Public Utilities (NJBPU) approved the negotiated settlement which is expected to increase annual operating revenues by \$15.4 million effective March 1, 2024. The approved tariff rates were designed to recover increased operating costs as well as a return on invested capital of \$563.1 million, based on an authorized return on common equity of 9.6%. Middlesex has made capital infrastructure investments to ensure prudent upgrade and replacement of its utility assets to support continued regulatory compliance, resilience and overall quality of service.

Middlesex Distribution System Improvement Charge (DSIC) - In October 2024, Middlesex filed a second DSIC rate application that is expected to result in \$1.1 million of annual revenues. A DSIC is a rate-mechanism that allows water utilities to recover investments in, and generate a return on, qualifying capital improvements made between general rate case proceedings.

Middlesex Purchase Water Adjustment Clause (PWAC)- In October 2024, Middlesex filed a petition with the NJBPU seeking approval to set a PWAC tariff rate to recover additional costs of \$0.6 million for the purchase of treated water from a non-affiliated water utility regulated by the NJBPU.

Tidewater Lead Service Line Inventory Costs Recovery - In September 2024, the Delaware Public Service Commission (DEPSC) approved Tidewater's petition to recover up to \$2.1 million of costs associated with Tidewater's obligation to identify and inventory lead service lines throughout Tidewater's service area, as required by federal law and Delaware regulations. Through September 30, 2024, Tidewater has spent \$1.7 million, which is included in Regulatory Assets and will be recovered through a surcharge mechanism.

Tidewater Base Water Rate Increase Application - In August 2024, Tidewater filed an application with the DEPSC to increase its general rates for water service. In the application, Tidewater seeks an overall increase in annual operating revenue of \$10.3 million or 25.66% over current revenue. The request for rate increases will allow Tidewater to recover prudently incurred investments made in the last ten years to support continued regulatory compliance, enhance water quality, service reliability, security and resiliency of the water utility infrastructure assets. Effective October 30, 2024, Tidewater received approval of the DEPSC to suspend its DSIC rate and implement an interim rate increase, which is expected to result in approximately \$2.5 million of annual revenues, subject to refund pending the outcome of the rate case application.

United States Environmental Protection Agency (USEPA) Issues Final Perfluoroalkyl Substances (PFAS) Regulations - In April 2024, the USEPA finalized drinking water regulations for PFAS, establishing maximum contaminant levels (MCLs) for three PFAS compounds (Regulated PFAS) that are lower than the current New Jersey Department of Environmental Protection MCLs adhered to by the Company. Under the new USEPA regulations, effective April 2024, water systems must monitor for Regulated PFAS and have three years to complete initial monitoring (by April 2027), followed by ongoing compliance monitoring. Water systems must also provide the public with information on the levels of Regulated PFAS in their drinking water beginning in 2027. Water systems have five years (by April 2029) to implement solutions that reduce Regulated PFAS if monitoring shows that drinking water levels exceed these MCLs.

Beginning in April 2029, water systems that have Regulated PFAS in drinking water which exceeds one or more of these MCLs must take action to reduce levels of these PFAS compounds in their drinking water and must provide notification to the public of the violation.

In anticipation of these new USEPA standards, in 2023, the Company began, and continues, implementing its strategy to meet these lower MCLs for Regulated PFAS and is currently performing preliminary engineering studies to ensure that effective PFAS treatment approaches are implemented.

Capital Construction Program - The Company's multi-year capital construction program encompasses numerous projects designed to upgrade and replace utility infrastructure as well as enhance the integrity and reliability of assets to maintain and improve service for the current and future generations of water and wastewater customers. The 2024 projects include, but are not limited to:

- Replacement of approximately 17,000 linear feet of cast iron 6" water main with ductile iron 8" water main in Woodbridge, New Jersey;
- Replacement of control room and electrical distribution equipment at our Carl J. Olsen Surface Water Treatment Plant (CJO Plant) in Edison, New Jersey;
- Supply and storage improvements and installation of emergency generators at several of our Tidewater facilities;
- Upgrades and improvements to our Enterprise Resource Planning System; and
- Various water main replacements and improvements.

The actual amount and timing of capital expenditures is dependent on project scheduling and refinement of engineering estimates for certain capital projects.

Outlook

Our ability to increase operating income and net income is based significantly on four factors: weather, adequate and timely rate relief, effective cost management and customer growth. These factors are discussed in the Results of Operations section below. Unfavorable weather patterns may occur at any time, which can result in lower customer demand for water.

We continue to make investments in system infrastructure and our operating costs continue to increase in 2024 in a variety of categories. These factors, among others, required a base rate increase request filing for Tidewater in the third quarter of 2024 and will likely require a base rate increase request filing for Middlesex in 2025.

Overall, organic residential customer growth continues in our Tidewater system (approximately 4% in 2023). However, current and evolving economic market conditions may challenge that growth.

Our strategy for profitable growth is focused on the following key areas:

- Invest in projects, products and services that complement our core water and wastewater competencies;
- Timely and adequate recovery of infrastructure investments and other costs to maintain service quality;
- Prudent acquisitions of investor and municipally-owned water and wastewater utilities; and
- Operation of municipal and industrial water and wastewater systems on a contract basis which meet our risk profile.

Operating Results by Segment

The discussion of the Company's operating results is on a consolidated basis and includes significant factors by subsidiary. The Company has two operating segments, Regulated and Non-Regulated. The operations of the Regulated segment are subject to regulations promulgated by state public utility commissions as to rates and level of service. Rates and level of service in the Non-Regulated segment are subject to the terms of individually-negotiated and executed contracts with municipal, industrial and other clients. Both segments are subject to federal and state environmental, water and wastewater quality and other associated legal and regulatory requirements.

The segments in the tables included below consist of the following companies: Regulated-Middlesex, Tidewater, Pinelands and Southern Shores; Non-Regulated-USA, USA-PA, and White Marsh.

Results of Operations – Three Months Ended September 30, 2024

(In Thousands)
Three Months Ended September 30,

	2024			2023		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Operating Revenues	\$ 51,892	\$ 3,208	\$ 55,100	\$ 43,578	\$ 3,137	\$ 46,715
Operations and Maintenance Expense	23,092	2,267	25,359	20,376	2,205	22,581
Depreciation	6,245	64	6,309	6,311	65	6,376
Other Taxes	5,882	49	5,931	4,883	53	4,936
Operating Income	\$ 16,673	\$ 828	\$ 17,501	\$ 12,008	\$ 814	\$ 12,822
Other Income, net	1,892	76	1,968	1,354	78	1,432
Interest Charges	3,411	—	3,411	3,518	—	3,518
Income Taxes Expense	1,457	282	1,739	460	286	746
Net Income	\$ 13,697	\$ 622	\$ 14,319	\$ 9,384	\$ 606	\$ 9,990

Operating Revenues

Operating revenues for the three months ended September 30, 2024 increased \$8.4 million from the same period in 2023 due to the following factors:

- Middlesex System revenues increased \$6.1 million due to the approved base rate increase effective March 1, 2024 and increased weather-driven customer demand;
- Tidewater System revenues increased \$2.1 million due to customer growth and increased weather-driven customer demand;
- Pinelands revenues increased \$0.1 million due to increased weather-driven customer water demand and scheduled rate increases resulting from Pinelands' 2023 base rate increases; and
- Non-regulated revenues increased \$0.1 million, primarily due to higher supplemental contract services.

Operations and Maintenance Expense

Operations and Maintenance Expense for the three months ended September 30, 2024 increased \$2.8 million from the same period in 2023 due to increased legal, financial and regulatory matter costs, an enhanced water treatment process at Middlesex's Park Avenue Plant, increased labor costs due to annual wage increases and higher energy and chemical costs due to increased water demand.

Depreciation

Depreciation expense for the three months ended September 30, 2024 decreased \$0.1 million from the same period in 2023 due to less average utility plant in service during the quarter. The conclusion of Middlesex's 2023 base rate increase request allowed proceeds from the 3M Settlement Agreement to reimburse Middlesex for previously incurred costs for the construction of the Park Avenue Plant PFAS treatment upgrades. See Note 2 for additional details.

Other Taxes

Other Taxes for the three months ended September 30, 2024 increased \$1.0 million from the same period in 2023 primarily due to higher gross receipts taxes on higher revenues in our Middlesex System and higher payroll related taxes on increased labor costs.

Other Income, net

Other Income, net for the three months ended September 30, 2024 increased \$0.5 million from the same period in 2023 due primarily to higher actuarially-determined retirement benefit plans non-service benefit. Lower Allowance for Funds Used During Construction resulting from a lower level of capital projects in progress partially offset these increases. The conclusion of Middlesex's 2023 base rate increase request allowed Middlesex to recover costs, including carrying costs, from the proceeds from the 3M Settlement Agreement. See Note 2 for additional details.

Interest Charges

Interest Charges for the three months ended September 30, 2024 decreased \$0.1 million from the same period in 2023 due to lower average debt outstanding.

Income Taxes

Income Taxes for the three months ended September 30, 2024 increased by \$1.0 million from the same period in 2023, primarily due to higher pre-tax income and lower income tax benefits associated with decreased repair expenditures on tangible property in the Middlesex System offset by the recovery of income taxes on the taxable portion of the proceeds from the 3M Settlement Agreement recognized in the current period. See Note 2 for additional details.

Results of Operations – Nine Months Ended September 30, 2024

	(In Thousands)					
	2024			2023		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Operating Revenues	\$ 135,181	\$ 9,589	\$ 144,770	\$ 118,363	\$ 9,309	\$ 127,672
Operations and Maintenance Expense	61,115	6,534	67,649	57,548	6,494	64,042
Depreciation	17,812	198	18,010	18,350	196	18,546
Other Taxes	16,264	166	16,430	13,922	182	14,104
Operating Income	39,990	2,691	42,681	28,543	2,437	30,980
Other Income, net	9,804	185	9,989	5,126	160	5,286
Interest Charges	10,721	—	10,721	9,364	—	9,364
Income Taxes Expense	5,497	905	6,402	288	855	1,143
Net Income	\$ 33,576	\$ 1,971	\$ 35,547	\$ 24,017	\$ 1,742	\$ 25,759

Operating Revenues

Operating Revenues for the nine months ended September 30, 2024 increased \$17.1 million from the same period in 2023 due to the following factors:

- Middlesex System revenues increased \$12.9 million due to the approved base rate increase effective March 1, 2024, increased weather-driven customer demand and higher commercial and industrial customer billings;
- Tidewater System revenues increased \$3.5 million due to customer growth and increased weather-driven customer demand;
- Pinelands revenues increased \$0.4 million due to scheduled rate increases resulting from Pinelands' 2023 base rate increase and increased weather-driven water customer demand; and
- Non-regulated revenues increased \$0.3 million, primarily due to higher supplemental contract services.

Operations and Maintenance Expense

Operations and Maintenance Expense for the nine months ended September 30, 2024 increased \$3.6 million from the same period in 2023 due to increased legal, financial and regulatory matter costs, an enhanced water treatment process at Middlesex's Park Avenue Plant, increased labor costs due to annual wage increases and higher energy costs due to increased water demand.

Depreciation

Depreciation for the nine months ended September 30, 2024 decreased \$0.5 million from the same period in 2023 due to the recovery of prior year depreciation related to upgrades at Middlesex's Park Avenue Plant partially offset by additional utility plant in service. The conclusion of Middlesex's 2023 base rate increase request allowed Middlesex to recover costs, including depreciation, from the proceeds from the 3M Settlement Agreement. See Note 2 for additional details.

Other Taxes

Other Taxes for the nine months ended September 30, 2024 increased \$2.3 million from the same period in 2023 primarily due to higher gross receipts taxes on higher revenues in Middlesex and higher payroll related taxes on increased labor costs.

Other Income, net

Other Income, net for the nine months ended September 30, 2024 increased \$4.7 million from the same period in 2023 due primarily to the recovery of carrying costs on the PFAS treatment upgrades at Middlesex's Park Avenue Plant and higher actuarially-determined retirement benefit plans non-service benefit. Lower Allowance for Funds Used During Construction resulting from a lower level of capital projects in progress partially offset these increases. The conclusion of Middlesex's 2023 base rate increase request allowed Middlesex to recover costs, including carrying costs, from the proceeds from the 3M Settlement Agreement. See Note 2 for additional details.

Interest Charges

Interest Charges for the nine months ended September 30, 2024 increased \$1.4 million from the same period in 2023 due to higher average debt outstanding and an increase in average borrowing rates.

Income Taxes

Income Taxes for the nine months ended September 30, 2024 increased by \$5.3 million from the same period in 2023, primarily due to higher pre-tax income and lower income tax benefits associated with decreased repair expenditures on tangible property in the Middlesex System offset by the recovery of income taxes on the taxable portion of the proceeds from the 3M Settlement Agreement recognized in the current period. See Note 2 for additional details.

Liquidity and Capital Resources

Operating Cash Flows

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

For the nine months ended September 30, 2024, cash flows from operating activities decreased \$2.7 million to \$37.3 million. The decrease in cash flows from operating activities primarily resulted from accrued recovered costs from Middlesex's 3M Settlement, increases in customer receivables and unbilled revenues and higher interest payments partially offset by the impact of Middlesex's approved base rate increase effective March 1, 2024.

Investing Cash Flows

For the nine months ended September 30, 2024, cash flows used in investing activities decreased \$23.6 million to \$49.5 million due to decreased utility plant expenditures in 2024.

For further discussion on the Company's future capital expenditures and expected funding sources, see "*Capital Expenditures and Commitments*" below.

Financing Cash Flows

For the nine months ended September 30, 2024, cash flows from financing activities decreased \$16.1 million to \$16.1 million. The decrease in cash flows provided by financing activities is due to lower proceeds from the issuance of common stock under the Middlesex Water Company Investment Plan (Investment Plan) and long-term debt offset by proceeds received from a litigation settlement.

Capital Expenditures and Commitments

To fund our capital program, we use internally generated funds, short-term and long-term debt borrowings, proceeds from sales of common stock under the Investment Plan and proceeds from sales offerings to the public of our common stock. In addition, in July 2024, we received net proceeds of \$63.6 million from the 3M Settlement Agreement, which were used to pay down our lines of credit outstanding balance to further support the funding of our capital program.

Middlesex has received approval from the NJBPU to borrow up to \$300.0 million from the New Jersey State Revolving Fund (SRF) Program, the New Jersey Economic Development Authority, private placement and other financial institutions as needed through December 31, 2025. The Company expects to issue debt securities in a series of one or more transaction offerings over a multi-year period to help fund Middlesex's multi-year capital construction program.

In May 2024, Tidewater closed on four DEPSC-approved Delaware SRF loans totaling \$5.6 million, all at interest rates of 2.0% with expected maturity dates in 2044. These loans are for the construction, relocation, improvement, and/or interconnection of transmission mains and construction of a water treatment facility. Each project has its own construction timetable with the last spending set to occur in 2026.

In September 2024, Tidewater closed on a \$2.2 million Delaware SRF loan with a 0.0% interest rate. This loan is for costs associated with Tidewater's obligation, as required by federal law and Delaware regulations, to identify and inventory lead service lines throughout Tidewater's service area. Tidewater expects to draw down on this loan in the fourth quarter of 2024.

In order to fully fund the ongoing investment program in our utility plant infrastructure and maintain a balanced capital structure consistent with regulators' expectations for a regulated water utility, Middlesex may offer for sale additional shares of its common stock. The amount, timing and method of sale of common stock is dependent on the timing of construction expenditures, the level of additional debt financing and financial market conditions. As approved by the NJBPU, the Company is authorized to issue and sell up to 1.0 million shares of its common stock in one or more transactions through December 31, 2025.

Recent Accounting Pronouncements – See Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements and guidance.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

We are exposed to market risk associated with changes in interest rates and commodity prices. The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have final maturity dates ranging from 2025 to 2059. Over the next twelve months, approximately \$7.7 million of the current portion of existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings would not have a material effect on our earnings.

Our risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the ability to recover price increases through rates charged to the Company's regulated utility customers. Non-performance by these commodity suppliers could have a material adverse impact on our results of operations, financial position and cash flows.

We are exposed to credit risk for both our Regulated and Non-Regulated business segments. Our Regulated operations serve residential, commercial, industrial and municipal customers while our Non-Regulated operations engage in business activities with developers, government entities and other customers. Our primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. Our credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. Our credit portfolio is diversified with no significant customer or industry concentrations. In addition, our Regulated businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through customers' rates.

The Company's retirement benefit plan assets are subject to fluctuating market prices of debt and equity securities. Changes to the Company's retirement benefit plan asset values can impact the Company's retirement benefit plan expense, funded status and future minimum funding requirements. Risk is mitigated by our ability to recover retirement benefit plan costs through rates for regulated utility services charged to our customers.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding disclosure.

As required by Rule 13a-15 under the Exchange Act, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted by the Company's Chief Executive Officer along with the Company's Chief Financial Officer for the quarter ended September 30, 2024. Based upon that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded that no changes in internal control over financial reporting occurred during the quarter ended September 30, 2024 that has materially affected, or are reasonably likely to materially affect, internal control over financial reporting and that our disclosure controls and procedures were effective as of September 30, 2024.

In 2023, the Company's independent registered public accounting firm, Baker Tilly US, LLP (Baker Tilly), conducted a routine internal quality review of its integrated audit of the Company's 2022 consolidated financial statements and internal control over financial reporting as of December 31, 2022. As a result of this review, Baker Tilly re-examined the Company's information technology general controls (ITGCs) in the areas of user access and change management over certain information technology (IT) systems that support the Company's financial reporting processes. Certain of those controls were found to be deficient because of a lack of sufficient IT control processes designed to prevent or detect unauthorized changes in applications and data in selected IT environments. These ineffective controls created a possibility that material misstatements in financial reporting processes and financial statement accounts in our consolidated financial statements would not be prevented or detected on a timely basis and, therefore, based on the assessment, management concluded that they represented a material weakness in our internal control over financial reporting that continued to exist as of June 30, 2024. This material weakness did not result in any material misstatements to the Company's financial statements.

Our remediation process for the material weakness noted above included, but was not limited to, enhancements to our ITGCs and automated auditing features of our IT systems as well as increased monitoring of IT system changes made through certain user accounts. Since the material weakness was first identified, Management implemented various auditing and monitoring solutions that provide greater transparency into changes made within our IT systems. These control solutions are supported by a timely review process that focuses on the proper authorization and approval of IT system changes. As of September 30, 2024, we have completed the design, implementation and testing of the additional controls to remediate the ITGC material weakness and have concluded that the controls were operating effectively and the material weakness has been remediated.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The following information updates and amends the information provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 in Part I, Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K.

PFOA Regulatory Notice of Non-Compliance

Vera et al. v. Middlesex Water Company and Lonsk et al. v. Middlesex Water Company and 3M Company – On August 30, 2024, the parties to the *Vera et al. v. Middlesex Water Company* and *Lonsk et al. v. Middlesex Water Company* litigations entered into a signed Settlement Term Sheet (Term Sheet) in a step towards resolution of both matters. The parties are in the process of memorializing the settlement into a Settlement Agreement that is expected to be completed by the parties in the Fourth Quarter of 2024. The Company does not believe that the Term Sheet and the anticipated Settlement Agreement, once executed, will have any material financial or operational impact to Middlesex.

Item 1A. Risk Factors

The information about risk factors does not differ materially from those set forth in Part I, Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) *Insider Trading Arrangements and Policies* - During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

- 10.59 [Financing Agreement \(Lead and Copper Rule Service Lines Field Verifications Project\), dated September 27, 2024, between the Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health and Social Services, Division of Public Health and Tidewater Utilities, Inc.](#)
- 31.1 [Section 302 Certification by Nadine Leslie pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.](#)
- 31.2 [Section 302 Certification by Mohammed G. Zerhouni pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.](#)
- 32.1 [Section 906 Certification by Nadine Leslie pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Section 906 Certification by Mohammed G. Zerhouni pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS XBRL Instance Document
- 101.SCH XBRL Schema Document
- 101.CAL XBRL Calculation Linkbase Document
- 101.LAB XBRL Labels Linkbase Document
- 101.PRE XBRL Presentation Linkbase Document
- 101.DEF XBRL Definition Linkbase Document
- 104 Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

SIGNATURES

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

MIDDLESEX WATER COMPANY

By: /s/Mohammed G. Zerhouni
Mohammed G. Zerhouni
Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

TIDEWATER UTILITIES, INC.
\$2,246,769 GENERAL OBLIGATION BOND
(LEAD AND COPPER RULE SERVICE LINES (LSLR) FIELD VERIFICATIONS PROJECT)
SERIES 2024E-DWSRF

FINANCING AGREEMENT BETWEEN
TIDEWATER UTILITIES, INC. AND
DELAWARE DRINKING WATER STATE REVOLVING FUND, ACTING BY AND THROUGH
THE
DELAWARE DEPARTMENT OF HEALTH AND SOCIAL SERVICES, DIVISION OF PUBLIC
HEALTH

Loan No. 28000006

TABLE OF CONTENTS

	<u>PAGE</u>
<u>ARTICLE I DEFINITIONS</u>	1
SECTION 1.1. <u>DEFINITIONS</u>	1
SECTION 1.2. <u>RULES OF CONSTRUCTION</u>	3
<u>ARTICLE II REPRESENTATIONS</u>	3
SECTION 2.1. <u>REPRESENTATIONS BY BORROWER</u>	3
<u>ARTICLE III ADVANCE AND USE OF LOAN PROCEEDS; CONSTRUCTION OF PROJECT</u>	5
SECTION 3.1. <u>ADVANCE OF LOAN PROCEEDS</u>	5
SECTION 3.2. <u>APPLICATION OF LOAN PROCEEDS</u>	5
SECTION 3.3. <u>AGREEMENT TO DRAW LOAN PROCEEDS AND PENALTY FOR DELAY</u>	8
SECTION 3.4. <u>AGREEMENT TO ACCOMPLISH PROJECT</u>	9
SECTION 3.5. <u>PERMITS</u>	9
SECTION 3.6. <u>CONSTRUCTION CONTRACTORS</u>	9
SECTION 3.7. <u>SIGNAGE REQUIREMENTS UNDER THE INFRASTRUCTURE INVESTMENT AND JOBS ACT (IIJA)</u>	11
SECTION 3.8. <u>ENGINEERING SERVICES</u>	12
SECTION 3.9. <u>BORROWER REQUIRED TO COMPLETE PROJECT</u>	12
SECTION 3.10. <u>INCLUSION OF ELIGIBLE PROJECT REIMBURSEMENT COSTS WITHIN THE LOAN</u>	12
SECTION 3.11. <u>LEAD SERVICE LINE REPLACEMENT (“LSLR”) AND LEAD REMOVAL PROJECTS</u>	13
<u>ARTICLE IV ADDITIONAL FEDERAL REQUIREMENTS</u>	14
SECTION 4.1. <u>FEDERAL REQUIREMENTS</u>	14
SECTION 4.2. <u>AMERICANS WITH DISABILITIES ACT</u>	14
SECTION 4.3. <u>NONDISCRIMINATION; SEXUAL HARASSMENT</u>	15
<u>ARTICLE V REPAYMENT OF LOAN; GENERAL OBLIGATION</u>	15
SECTION 5.1. <u>REPAYMENT OF LOAN</u>	15
SECTION 5.2. <u>GENERAL OBLIGATION</u>	16
SECTION 5.3. <u>[RESERVED]</u>	16
<u>ARTICLE VI PREPAYMENTS</u>	16
SECTION 6.1. <u>PREPAYMENTS OF LOAN</u>	16
<u>ARTICLE VII OPERATION AND USE OF SYSTEM</u>	16
SECTION 7.1. <u>INSPECTION OF SYSTEM AND BORROWER’S BOOKS AND RECORDS</u>	16
SECTION 7.2. <u>PERFORMANCE CERTIFICATION</u>	16
SECTION 7.3. <u>OPERATION, MAINTENANCE AND USE OF SYSTEM</u>	16
<u>ARTICLE VIII INSURANCE, DAMAGE AND DESTRUCTION</u>	17
SECTION 8.1. <u>INSURANCE</u>	17
<u>ARTICLE IX SPECIAL COVENANTS</u>	17
SECTION 9.1. <u>MAINTENANCE OF EXISTENCE</u>	17
SECTION 9.2. <u>FINANCIAL RECORDS AND STATEMENTS</u>	17
SECTION 9.3. <u>CERTIFICATE AS TO NO DEFAULT</u>	17
SECTION 9.4. <u>FURTHER ASSURANCES</u>	18
SECTION 9.5. <u>OTHER INDEBTEDNESS</u>	18
SECTION 9.6. <u>ASSIGNMENT BY BORROWER</u>	18
<u>ARTICLE X DEFAULTS AND REMEDIES</u>	19

SECTION 10.1. <u>EVENTS OF DEFAULT</u>	19
SECTION 10.2. <u>NOTICE OF DEFAULT</u>	19
SECTION 10.3. <u>REMEDIES ON DEFAULT</u>	20
SECTION 10.4. <u>DELAY AND WAIVER</u>	20
SECTION 10.5. <u>RIGHT TO CURE DEFAULT</u>	20
<u>ARTICLE XI MISCELLANEOUS</u>	20
SECTION 11.1. <u>SUCCESSORS AND ASSIGNS</u>	20
SECTION 11.2. <u>AMENDMENTS</u>	21
SECTION 11.3. <u>LIMITATION OF LIABILITY OF BORROWER'S OFFICERS</u>	21
SECTION 11.4. <u>APPLICABLE LAW</u>	21
SECTION 11.5. <u>SEVERABILITY</u>	21
SECTION 11.6. <u>NOTICE</u>	21
SECTION 11.7. <u>HEADINGS</u>	22
SECTION 11.8. <u>TERMS OF AGREEMENT</u>	22
SECTION 11.9. <u>COUNTERPARTS</u>	22
<u>EXHIBIT A</u>	PROJECT DESCRIPTION
<u>EXHIBIT B</u>	PROJECT BUDGET
<u>EXHIBIT C</u>	FORM OF REQUISITION
<u>EXHIBIT D</u>	SCHEDULE OF DISBURSEMENTS
<u>EXHIBIT E</u>	FORM OF CHANGE ORDER
<u>EXHIBIT F</u>	PROJECTED DRAWDOWN CERTIFICATE

FINANCING AGREEMENT

THIS FINANCING AGREEMENT (this “Agreement”) is made as of this 27th day of September, 2024, between the DELAWARE DRINKING WATER STATE REVOLVING FUND, acting by and through the DELAWARE DEPARTMENT OF HEALTH & SOCIAL SERVICES, DIVISION OF PUBLIC HEALTH, a public agency of The State of Delaware (the “Department”) and TIDEWATER UTILITIES, INC., a corporation organized under the laws of The State of Delaware (the “Borrower”).

Pursuant to Title 29 Delaware Code Section 7903 (the “Act”), the General Assembly established a permanent and perpetual fund known as the “Delaware Drinking Water State Revolving Fund” (the “Fund”) and empowered the Secretary of the Department of Health & Social Services to administer such Fund. From the Fund, the Department from time to time makes loans to and acquires obligations of eligible persons in Delaware to finance the costs of drinking water facilities in accordance with the Federal Safe Drinking Water Act. General information on Drinking Water State Revolving Funds can be found at: <https://www.epa.gov/dwsrf>.

The Borrower requested a loan (the “Loan”) from the Fund and will evidence its obligation to repay the Loan by the signing of this Agreement and by the delivery of its General Obligation Bond (Lead and Copper Rule Service Lines (LSLR) Field Verifications Project), Series 2024E-DWSRF (the “Bond”). The Borrower will use the Loan Proceeds from the Fund to: (i) finance the development of the Borrower’s lead service line inventories for the entire water system of over 54,000 connections as part of an overall Lead and Copper Rule Service Lines (LSLR) program, including service line field verifications to be conducted at various locations throughout the Borrower’s system based upon information developed during the data collection and evaluations being conducted as part of the inventory, as more fully described in Exhibit A and (ii) if desired, pay certain administrative costs and costs of issuing the Bond (collectively, the “Project”).

ARTICLE I DEFINITIONS

Section 1.1. Definitions.

The capitalized terms contained in this Agreement shall have the meanings set forth below unless the context requires otherwise and any capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Act:

“Agreement” means this Financing Agreement between the Department and the Borrower, together with any amendments or supplements hereto.

“Authorized Representative” means the President, Vice President, Chairman, Treasurer, and Secretary of the Borrower or any employee of the Borrower authorized by resolution or certificate of the Borrower to perform the act or sign the document in question.

“Business Day” means a day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York or Delaware are required or authorized to remain closed or on which the New York Stock Exchange is closed.

“Closing Date” means the date this Agreement is executed and delivered by the Borrower and the Department.

“Commitment Letter” shall mean the commitment letter from the Department to the Borrower dated July 8, 2024 and all extensions and amendments thereto.

“Consulting Engineer” means any firm of independent consulting engineers of recognized standing and experienced in the field of environmental engineering and registered to do business in Delaware. Any such firm shall be subject to the reasonable approval of the Department.

“Department” means the Department of Health and Social Services, Division of Public Health.

“Event of Default” shall have the meaning set forth in Section 10.1.

“Fiscal Year” means the period of twelve months established by the Borrower as its annual accounting period.

“Loan” means the loan from the Department to the Borrower pursuant to this Agreement.

“Loan Proceeds” means the funds applied to make the loan to the Borrower pursuant to this Agreement.

“Notice to Proceed” means a written notice given by the Borrower and signed by an Authorized Representative issued to each construction contractor fixing the date on which construction, equipping, acquisition, expansion or renovation of the Project as described in **Exhibit A** will commence, a copy of which must be furnished to the Department by the Borrower within one year of the Closing Date.

“Penalty” shall have the meaning set forth in Section 3.3.

“Project” means, collectively, the various improvements and upgrades to the System of the Borrower, as more fully described in **Exhibit A**, the costs of the construction, acquisition or equipping of which are to be financed in whole or in part with the Loan Proceeds.

“Project Budget” means the budget for the financing of the Project, a copy of which is attached to this Agreement as **Exhibit B**.

“Project Costs” means the costs of the construction, acquisition or equipping of the Project, as further described in the Project Budget, and such other costs as may be approved in writing by the Department, provided such costs are permitted by the Act.

“System” means all plants, systems, facilities, equipment or property, of which the Project constitutes the whole or a part, owned, operated or maintained by the Borrower and used in connection with the drinking water services for the systems which comprise the Project, all as described in Exhibit A.

Section 1.2. Rules of Construction.

The following rules shall apply to the construction of this Agreement unless the context requires otherwise:

- (a) Singular words shall connote the plural number as well as the singular and vice versa.
- (b) All references in this Agreement to particular Sections or Exhibits are references to Sections or Exhibits of this Agreement unless otherwise indicated.
- (c) The headings and table of contents as used in this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

ARTICLE II
REPRESENTATIONS

Section 2.1. Representations by Borrower.

The Borrower makes the following representations as the basis for its undertakings under this Agreement:

- (a) The Borrower is a duly organized and validly existing corporation in good standing under the laws of the State of Delaware.
- (b) The Borrower has full right, power and authority to (i) execute this Agreement and the other documents related thereto, (ii) own and operate the System, (iii) construct, acquire or equip the Project and finance the Project Costs by borrowing money for such purpose pursuant to this Agreement, and (iv) carry out and consummate all of the transactions contemplated by this Agreement.
- (c) All permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date of signing of this Agreement have been obtained for (i) the execution by the Borrower of this Agreement, (ii) the performance and enforcement of the obligations of the Borrower thereunder, (iii) the acquisition, construction, equipping, occupation, operation and use of the Project, and (iv) the operation and use of the System. The Borrower knows of no reason why any other necessary permits or approvals cannot be obtained as required.

(d) This Agreement has been executed by a duly authorized officer of the Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with the terms of this Agreement.

(e) There are not pending nor, to the best of the knowledge of the undersigned officer of the Borrower, threatened, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature, in which a judgment, order or resolution may have a material adverse effect on the Borrower, or its business, assets, condition (financial or otherwise), operations or prospects or in its ability to perform its obligations under this Agreement.

(f) There have been no material defaults by any contractor or subcontractor under any contract made in connection with the construction or equipping of the Project.

(g) No material adverse change has occurred in the financial condition of the Borrower from that indicated in the financial statements, application and other information furnished to the Department in connection with this Agreement.

(h) No Event of Default has occurred and is continuing.

(i) Except as may otherwise be approved by the Department or permitted by the terms hereof, the Project and the System at all times will be owned by the Borrower and will not be operated or controlled by any other entity or person.

(j) The Project will be a part of the System.

(k) The Loan Proceeds and funds available from the other sources specified in the Project Budget will be sufficient to pay the estimated Project Costs.

(l) The Borrower has received or has commitments to obtain all funds and other financing for the Project as contemplated in the Project Budget.

(m) The Borrower expects to complete the acquisition, construction and equipping of the Project on or before the projected date of November 15, 2024. The Borrower expects to adhere to the estimated drawdown schedule attached hereto as **Exhibit D** and certified to in the "Certificate of the Borrower and Projected Drawdown Schedule of the Project" attached hereto as **Exhibit F** and made a part hereof. This projected date of completion is subject to an extension if such extension is mutually agreed upon by the Department and the Borrower. Noncompliance with this Section 2.1(m) may cause loan funds to become de-obligated and reallocated to other drinking water projects at the discretion of the Department.

ARTICLE III
ADVANCE AND USE OF LOAN PROCEEDS; CONSTRUCTION OF PROJECT

Section 3.1. Advance of Loan Proceeds.

The Department agrees to advance to the Borrower pursuant to this Agreement up to Two Million Two Hundred Forty-Six Thousand Seven Hundred Sixty-Nine Dollars (\$2,246,769) to pay Project Costs in accordance with the Project Budget.

Section 3.2. Application of Loan Proceeds.

(a) The Borrower agrees to apply the Loan Proceeds solely and exclusively to the payment, or the reimbursement of the Borrower for the payment, of Project Costs and further agrees, upon the request of the Department, to exhibit to the Department, vouchers, statements, bills of sale or other evidence of the actual payment of such Project Costs. The Department shall disburse the Loan Proceeds to or for the account of the Borrower upon execution of this Agreement and upon receipt by the Department of the following:

(1) A requisition (upon which the Department shall be entitled to rely) signed by an Authorized Representative and containing all information called for by, and otherwise being in the form of, Exhibit C attached hereto.

(2) If such requisition includes an item for payment for labor or to contractors, builders or materialmen (i) a certificate, signed by an Authorized Representative, stating that such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the Project; and (ii) a certificate signed by an Authorized Representative stating either that such materials, supplies or equipment are not subject to any lien or security interest or that such lien or security interest will be released or discharged upon payment of the requisition.

Upon receipt of each such requisition and accompanying certificate or certificates, the Department shall disburse Loan Proceeds hereunder to or for the account of the Borrower in accordance with such requisition in an amount and to the extent approved by the Department. The Borrower expects to adhere to the estimated drawdown schedule attached hereto as Exhibit D. The Department shall have no obligation to disburse any such Loan Proceeds if the Borrower is in default hereunder, nor shall the Department have any obligation to approve any requisition if the Borrower is not in compliance with the terms of this Agreement.

(b) The Borrower shall comply with all applicable State of Delaware and federal laws. Except as may otherwise be approved by the Department, disbursements shall be held at ninety- five percent (95%) of the maximum amount authorized hereunder to ensure satisfactory completion of the Project. Upon receipt from the Borrower of the certificate specified in Section 3.4 and a final requisition detailing all retainages to which the Borrower is then entitled, the Department, to the extent approved by the Department and subject to the provisions of this Section and Section 3.4, will disburse Loan Proceeds to or for the account of the Borrower to the extent of such approval.

(c) The Department may apply Loan Proceeds to pay any Penalty assessed pursuant to Section 3.3.

(d) The Department shall have no obligation to disburse Loan Proceeds in excess of the amount necessary to pay for approved Project Costs.

(e) The Borrower shall comply in all respects with all applicable federal laws, regulations and other requirements related to or arising out of or in connection with the Project and the funding thereto by the Fund.

(f) The Borrower shall comply in all respects with the Federal Single Audit Act (the "SAA"), 2 CFR 200 Subpart F, as a sub-recipient of Federal funds. As a recipient of Loan Proceeds from the Fund, the Borrower is required to notify the Department when a SAA audit has been conducted and provide the Department within 30 days of completion with a copy of the SAA audit if the Borrower expends \$750,000 or more in Loan Proceeds and other federal financial assistance in its fiscal year. Other federal financial assistance sources include, but are not limited to, equivalency funds received by the Delaware Water Pollution Control Revolving Fund, other federal water infrastructure funding programs (e.g., USDA RD, CDBG, and EPA's WIFIA and Community Grants, among others), as well as health care, social services, highways, and education funding programs. The Borrower shall notify the Department when they have reached the \$750,000 expenditure threshold.

For purposes of the Fund, an expenditure occurs at the time that Loan Proceeds are disbursed by the Borrower for the purpose for which the Fund assistance is provided (e.g., Project Costs). For example, for the Loan, the expenditure occurs at the time the Borrower pays an invoice. In the case of refinancing assistance, the expenditure occurs at the time the Borrower uses the Loan Proceeds to refinance the existing debt.

The Borrower is responsible for (i) maintaining an annual (fiscal year) accounting system and identifying all expenditures of federal financial assistance, (ii) submitting its SAA audit to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report(s) or nine months after the end of the audit period, and (iii) notifying the Department that the SAA audit has been submitted to the Federal Audit Clearinghouse and providing a copy to the state SRF program upon request. The Borrower shall inform the Department of any findings and recommendations pertaining to Loan Proceeds received from the Fund contained in SAA audits conducted by the Borrower.

The SAA dollar threshold, currently at \$750,000 as previously stated, that requires performance of an audit increases periodically, and the Borrower is required to know the threshold for a given year.

(g) The Borrower shall comply with the Delaware Department of Labor Prevailing Wage Rate Regulations.

(h) The Borrower shall comply with the Delaware Drinking Water State Revolving Fund's Davis-Bacon Wage Rate Act Requirement as set forth in the closing documents. The

Borrower agrees that all contractors or subcontractors utilized by the Borrower in the Project will complete and file the U.S. Department of Labor's payroll form WH-347.

By accepting this loan, the Borrower acknowledges and agrees to the terms and conditions provided in the DBRA Requirements for EPA Subrecipients at <https://www.epa.gov/grants/contract-provisions-davis-bacon-and-related-acts>. The Borrower acknowledges that it has read, executed and will comply with the requirements outlined in the closing document titled "Davis-Bacon Wage Rate Act Requirement and Related Acts".

(i) As a recipient of Fund assistance, the Borrower shall comply with the Prohibition on Certain Telecommunication and Video Surveillance Services or Equipment located in 2 CFR 200.216, as such regulation relates to the Project. The Borrower agrees that none of the Loan Proceeds shall be used to procure, enter into, extend or renew contracts or obtain equipment, services or systems that use "covered telecommunications equipment or services," as identified in the regulation, as a substantial or essential component of any system, or as critical technology as part of any system.

(j) As a recipient of Fund assistance, the Borrower agrees that none of the Loan Proceeds made available to the Borrower shall be used for the Project for the construction, alteration, maintenance, or repair of the System unless all of the iron and steel products used in the Project are produced in the United States ("American Iron and Steel Requirement"), unless:

- (i) the Borrower has requested and obtained a waiver from the Environmental Protection Agency pertaining to the Project or (ii) the Department has otherwise advised the Borrower in writing that the American Iron and Steel Requirement is not applicable to the Project. The American Iron and Steel Requirement shall not apply in any case or category of cases in which the Administrator of the Environmental Protection Agency finds that: (i) applying the requirement would be inconsistent with the public interest;
- (ii) iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
- (iii) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

In this section 3.2(j), the term "iron and steel products" means the following products made primarily of iron or steel-lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials. "Steel" means an alloy that includes at least 50 percent iron, between .02 and 2 percent carbon, and may include other elements.

The Bipartisan Infrastructure Law of 2021, also known as the Infrastructure Investment and Jobs Act of 2021 ("IIJA"), established the Build America Buy America (BABA) Act domestic sourcing requirements for federal financial assistance programs for infrastructure, including the Fund, and the Borrower must comply with the BABA provision. BABA also creates expanded American Iron and Steel requirements to include construction materials and manufactured goods for domestic preference and sourcing requirements.

In procuring materials for public works projects, entities using taxpayer-financed Federal assistance should give a commonsense procurement preference for the materials and products produced by companies and workers in the United States in accordance with the high

ideals embodied in the environmental, worker, workplace safety, and other regulatory requirements of the United States. The benefits of domestic content procurement preferences extend beyond economics. Common construction materials used in public works infrastructure projects, including steel, iron, manufactured products, non-ferrous metals, plastic and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables), glass (including optic glass), lumber, and drywall are not adequately covered by a domestic content procurement preference, thus limiting the impact of taxpayer purchases to enhance supply chains in the United States.

(k) The Borrower agrees to comply with all federal requirements applicable to the Loan Proceeds received (including those imposed by IIJA, Public Law No. 117-58) which the Borrower understands includes, but is not limited to, the following requirements: that all of the iron and steel, manufactured products, and construction materials used in the Project are to be produced in the United States (“Build America, Buy America Requirements”) unless (i) the Borrower has requested and obtained a waiver from the Department pertaining to the Project or the Project is otherwise covered by a general applicability waiver; or (ii) the Department has otherwise advised the Borrower in writing that the Build America, Buy America Requirements are not applicable to the Project.

(l) The Borrower, as a sub-recipient of Federal funds, agrees that when collecting and managing environmental data under this Agreement, it will protect the data by following all applicable State of Delaware law cybersecurity requirements, if the Borrower’s network or information system is connected to the Environmental Protection Agency networks to transfer data to the Environmental Protection Agency using systems other than the Environmental Information Exchange Network or the Environmental Protection Agency’s Central Data Exchange.

Section 3.3. Agreement to Draw Loan Proceeds and Penalty for Delay.

The Borrower agrees after the Closing Date to commence work in earnest on the Project and make draws on the Loan Proceeds of at least ten percent (10%) of the Project Costs within one year of the Closing Date. The Borrower further agrees to provide a Notice to Proceed within one year of the Closing Date.

If by September 27, 2025, which is one year from the Closing Date, (i) the Borrower has not submitted requisition(s), in the manner required by Section 3.2, for more than ten percent (10%) of the Project Costs, and (ii) the Department has not received a Notice to Proceed, the Department may in its discretion assess a penalty equal to one percent (1%) of the Loan Proceeds (the “Penalty”). Such Penalty may be drawn by the Department from the Loan Proceeds. It is within the Department’s complete discretion whether to impose the Penalty based upon its review of affirmative steps taken by the Borrower to commence and complete the Project and the totality of the circumstances surrounding any such delay in requesting disbursement of Loan Proceeds.

Section 3.4. Agreement to Accomplish Project.

The Borrower will cause the Project to be acquired, constructed, expanded, renovated or equipped as described in **Exhibit A** and in accordance with the Project Budget and the plans, specifications and designs prepared by the Consulting Engineer and approved by the Department. The Borrower will complete the Project by the date set forth in Section 2.1(m). All plans, specifications and designs have been approved by all applicable regulatory agencies. The Borrower agrees to maintain complete and accurate books and records of the Project Costs and permit the Department through its duly authorized representatives to inspect such books and records at any reasonable time. The Borrower and the Department may amend the description of the Project set forth in **Exhibit A**.

The Borrower will deliver to the Department a certificate signed by an Authorized Representative of the Borrower and by the Consulting Engineer stating (i) that the Project has been completed substantially in accordance with this Section, the plans and specifications as amended from time to time, as approved by the Department, and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion, (iii) that all certificates of occupancy or other material permits necessary for the Project's use, occupancy and operation have been issued or obtained, and (iv) the amount, if any, to be reserved for payment of Project Costs.

Section 3.5. Permits.

The Borrower, at its sole cost and expense, shall comply with, and shall obtain all permits, consents and approvals required by local, state or federal laws, ordinances, rules, regulations or requirements in connection with the acquisition, construction, equipping, occupation, operation or use of the Project. The Borrower shall, upon request, promptly furnish to the Department copies of all such permits, consents and approvals. The Borrower shall also comply with all lawful program or procedural guidelines or requirements duly promulgated and amended as of the date hereof by the Department in connection with the acquisition, construction, equipping, occupation, operation or use of projects financed by the Fund under the Act. The Borrower shall also comply in all respects with all applicable State of Delaware and federal laws, regulations and other requirements relating to or arising out of or in connection with the Project and the funding thereof by the Fund.

Section 3.6. Construction Contractors.

Each construction contractor employed in the accomplishment of the Project shall be required in the construction contract to furnish a performance bond and a payment bond, each in an amount equal to one hundred percent (100%) of the particular contract price. Such bonds shall list the Borrower as beneficiary. Each contractor shall be required to maintain, during the construction period covered by the particular construction contract, builder's risk insurance, workers compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms customarily maintained on such projects. Upon request of the Department, the Borrower shall cause each contractor to furnish evidence of such bonds and insurance to the Department. In addition to the foregoing,

(a) Each construction contractor employed in the accomplishment of the Project is required to comply with the Anti-Kickback Act (and is required to insert similar requirements in all subcontracts) and all other applicable federal laws and regulations.

Each construction contractor employed in the accomplishment of the Project shall comply with the Contract Work Hours and Safety Standards Act, which requires overtime wages to be paid for over 40 hours of work per week, under contracts in excess of \$100,000.

Each construction contractor employed in the accomplishment of the Project acknowledges and agrees to the terms provided in the DBRA Requirements for Contractors and Subcontractors Under EPA Grants at <https://www.epa.gov/grants/contract-provisions-davis-bacon-and-related-acts>.

(b) All construction contracts and contractors' estimate forms will be prepared so that materials and equipment may be readily itemized and identified as to eligible and noneligible costs.

(c) Any change in a construction contract that will alter the contract price or completion time or will substantially modify the proposed use of the Project must be submitted to the Department for prior approval via a change order in the form of the change order attached hereto as Exhibit E.

(d) The construction of the Project facilities will conform to applicable federal, state and local laws, ordinances and regulations.

(e) The Borrower will proceed expeditiously and complete the Project facilities in accordance with the approved application, project schedule, surveys, plans, profiles, cross-sections, specifications and amendments approved by the Department.

Recipients and sub-recipients of Fund assistance, including the Borrower, shall not make any award or permit any award (sub-grant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension." Grantees and sub-grantees, including the Borrower, shall refer to the "List of Parties Excluded From Federal Procurement and Non-Procurement Programs" to insure that the contractor or subcontracts are not on this list. A search for exclusion records can be made at the official US Government System for Award Management website at <https://www.sam.gov>. For assistance visit the Federal Service Desk online at www.fsd.gov or by calling (866) 606-8220.

(f) Recipients have taken and will continue to take all necessary affirmative steps to solicit, and document its solicitation efforts of, minority business enterprises and women's business enterprises, individually and collectively referred to as Disadvantaged Business Enterprises (DBE), in accordance with the Six Good Faith Efforts, (40 CFR Part 33).

(g) Recipients have taken and will continue to take all necessary affirmative steps to assure that it is in compliance with all requirements for the procurement of architectural and

engineering services as identified in 40 U.S.C. Section 1101 et. Seq, for all architectural and engineering contracts executed, amended or renewed.

Section 3.7. Signage Requirements under the Infrastructure Investment and Jobs Act

(IIJA).

(a) Building A Better America Emblem. The Borrower will ensure that a sign is placed at construction sites supported under the Loan displaying the official Building A Better America emblem and must identify the project as a “project funded by President Biden’s Bipartisan Infrastructure Law.” Construction is defined at 40 CFR 33.103 as “erection, alteration, or repair (including dredging, excavating, and painting) of buildings, structures, or other improvements to real property, and activities in response to a release or a threat of a release of a hazardous substance into the environment, or activities to prevent the introduction of a hazardous substance into a water supply.” The sign must be placed at construction sites in an easily visible location that can be directly linked to the work taking place and must be maintained in good condition throughout the construction period.

In cases where the construction site covers a large area (e.g., lead service line replacement or septic tank repair/replacement projects), a sign should be placed in an easily visible location near where the work is being performed (e.g., entrance to the neighborhood, along a main road through town, etc.). Signage costs are considered an allowable Project Cost, provided the costs associated with the signage are reasonable. Additionally, to increase public awareness of projects serving communities where English is not the predominant language, the Borrower is encouraged to translate the language on signs (excluding the official Building a Better America emblem or EPA logo or seal) into the appropriate non-English language(s). The costs of such translation are allowable Project Costs, provided the costs are reasonable.

The Borrower will ensure compliance with the guidelines and design specifications for using the official Building A Better America emblem and corresponding logomark available at: <https://www.whitehouse.gov/wp-content/uploads/2022/08/Building-A-Better-America-Brand-Guide.pdf>.

(b) EPA Logo. The Borrower will ensure that signage displays the EPA logo along with the official Building A Better America emblem. The EPA logo must not be displayed in a manner that implies that EPA itself is conducting the project. Instead, the EPA logo must be accompanied with a statement indicating that the Borrower received financial assistance from EPA for the project.

The Borrower will ensure compliance with the sign specifications provided by the EPA Office of Public Affairs (“OPA”) available at: <https://www.epa.gov/grants/epa-logo-seal-specifications-signage-produced-epa-assistance-agreement-recipients>. As provided in the sign specifications from OPA, the EPA logo is the preferred identifier for assistance agreement projects and use of the EPA seal requires prior approval from the EPA. To obtain the appropriate EPA logo or seal graphic file, the Borrower should send a request directly to OPA and include the EPA Project Officer in the communication. Instructions for contacting OPA is available on the Using the EPA Seal and Logo page at <https://www.epa.gov/aboutepa/using-epa-seal-and-logo>.

(c) Procuring Signs. Consistent with section 6002 of RCRA, 42 U.S.C. 6962, and 2 CFR 200.323, the Borrower is encouraged to use recycled or recovered materials when procuring signs. Signage costs are considered an allowable Project Cost under this Agreement provided that the costs associated with signage are reasonable. Additionally, to increase public awareness of projects serving communities where English is not the predominant language, the Borrower is encouraged to translate the language on signs (excluding the official Building A Better America emblem or EPA logo or seal) into the appropriate non-English language(s). The costs of such translation are allowable, provided the costs are reasonable.

The EPA encourages the recipient to notify the EPA Project Officer listed in this award document of public or media events publicizing the accomplishment of significant events related to construction projects as a result of this agreement and provide the opportunity for attendance and participation by federal representatives with at least ten (10) working days' notice.

Section 3.8. Engineering Services.

The Borrower has retained or employed the Consulting Engineer to provide engineering services covering planning and design, operation of the System, and the supervision and inspection of the construction of the Project. The Consulting Engineer will provide to the Department the certificate required by Section 3.4.

Section 3.9. Borrower Required to Complete Project.

Subject to the provisions of Section 9.5 hereof, if the Loan Proceeds are not sufficient to pay in full the cost of the Project, the Borrower will complete the Project at its own expense and shall not be entitled to any reimbursement therefor from the Department or the Fund or to any abatement, diminution or postponement of the Borrower's repayments under this Agreement.

Section 3.10. Inclusion of Eligible Project Reimbursement Costs Within The Loan.

Project Costs incurred prior to the initiation of construction and after approval of the Project by the Department are eligible for reimbursement from Loan Proceeds provided that the Project continues to meet all the criteria and requirements set forth by the Department. Notwithstanding anything to the contrary herein, costs incurred and associated with the initial stages of the Project, such as planning and design, are eligible for reimbursement regardless of when such costs were incurred.

Section 3.11. Lead Service Line Replacement (“LSLR”) and Lead Removal Projects¹.

The following terms and conditions apply to loans from the Department that involve actual construction associated with lead service line replacement and lead removal. It is within the Department’s complete discretion to allow for the partial replacement of lead service lines.

(a) Stand-alone Lead Service Line Replacement. The recipient agrees to ensure that this Project funded either in whole or in part under this Loan must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source.

The recipient agrees the time between starting and completing full this Project for individual service lines should be as short as possible and should not exceed three months.

(b) Lead Service Line Replacement Performed in Conjunction with Planned Infrastructure Projects. If the logistics involved with coordinating the Project with planned infrastructure projects dictates, then partial replacement of a service line is acceptable if disturbance to the service line is unavoidable and the water system cannot gain access to conduct a full lead service line replacement (e.g., a customer refuses to allow replacement of the customer-owned portion of the service line). In the event a water system cannot gain access to conduct full replacement because of a customer refusal, the Borrower may conduct partial replacement in conjunction with planned infrastructure work. The Borrower is required to document customer refusals, which could consist of any of the following: a refusal signed by the customer, documentation of a verbal statement refusing replacement, or documentation of no response after multiple attempts to reach the customer regarding full replacement. The Department will allow for partial replacement so long as the borrower submits the required documentation as outlined hereunder.

(c) Lead Service Line Replacement Performed in Conjunction with Emergency Infrastructure Repair or Replacement. Under emergency circumstances, the Borrower may use Loan Proceeds to pay for partial replacement if full replacement is not possible due to customer refusal. For the purposes of oversight and confirming eligibility, the Borrower must document customer refusals in a manner determined by the Department. Best practices consist of any of the following: a refusal signed by the customer, documentation of a verbal statement refusing replacement, or documentation of no response after multiple attempts to reach the customer regarding full replacement.

¹ **THIS SECTION 3.11 ONLY APPLIES IF PROJECT BEING FUNDED WITH LOAN PROCEEDS INVOLVES ACTUAL CONSTRUCTION ASSOCIATED WITH LEAD SERVICE LINE REPLACEMENT AND LEAD REMOVAL.**

ARTICLE IV
ADDITIONAL FEDERAL REQUIREMENTS

Section 4.1. Federal Requirements.

(a) As a recipient of Fund assistance, the Borrower shall comply Federal State Revolving Loan Requirements Section 1452 of the Federal Safe Drinking Water Act, 42 U.S.C. §300j-12 et seq., as amended.

(b) Pursuant to Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000d, as a recipient of Fund assistance, the Borrower agrees not to discriminate on the basis of race, color or national origin in any activity funded through this Agreement.

(c) Pursuant to the Age Discrimination Act, 42 U.S.C. § 6101 et seq., as a recipient of Fund assistance, the Borrower agrees not to discriminate on the basis of age in any activity funded through this Agreement.

(d) Pursuant to Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794, as a recipient of Fund assistance, the Borrower agrees not to discriminate on the basis of disability in any activity funded through this Agreement.

(e) Pursuant to Section 1452 of the Federal Safe Drinking Water Act Amendments of 1996, P.L. 104-182, and Title IX of the Education Amendments of 1972, 20 U.S.C. § 1681 et seq., as amended, as a recipient of Fund assistance, the Borrower agrees not to discriminate on the basis of sex in any activity funded through this Agreement.

(f) Pursuant to Executive Order 11246, dated September 24, 1965, as amended by Executive Order 11375, dated October 13, 1967, and as supplemented by U.S. Department of Labor regulations set forth at 41 C.F.R. Ch. 60, as a recipient of Fund assistance, the Borrower agrees to provide an equal opportunity for employment to all contracts and subcontracts awarded for the Project and funded through this Agreement.

(g) Pursuant to Executive Order 12898, dated February 11, 1994, as a recipient of Fund assistance, the Borrower agrees not to fund any action through this Agreement that will have disproportionately high and adverse effects on minority or low-income populations.

Section 4.2. Americans with Disabilities Act.

Pursuant to federal regulations promulgated under the authority of the Americans With Disabilities Act, 28 C.F.R. § 35.101 et seq., no individual with a disability shall, on the basis of the disability, be excluded from participation in this Agreement or from activities provided for under this Agreement, and the Borrower agrees to comply with the General Prohibitions Against Discrimination, 28 C.F.R. § 35.130, and all other regulations promulgated under Title II of the Americans With Disabilities Act which are applicable to the benefits, services, programs, and activities provided by the Department as an agency of the State of Delaware through this Agreement. The State of Delaware and the Department shall be indemnified and held harmless from all losses, damages, expenses, claims, demands, suits and

actions brought by any party against the State of Delaware or the Department as a result of the Borrower's failure to comply with its obligations under the preceding provisions.

Section 4.3. Nondiscrimination; Sexual Harassment.

The Borrower shall comply, or cause its contractor or subcontractor, or other agents or representatives to comply, with the following requirements:

(a) In the hiring of any employees for the manufacture of supplies, performance of work, or any other activity required under this Agreement or any Project contract, no person who is qualified and available to perform the work to which the employment relates shall be discriminated against by reason of gender, race, creed or color.

(b) No employee involved in the manufacture of supplies, the performance of work or any other activity required under this Agreement shall be discriminated against in any manner or intimidated on account of gender, race, creed, or color.

(c) A written sexual harassment policy providing that sexual harassment will not be tolerated and employees who practice it will be disciplined shall be established and maintained by the Borrower and employees shall be informed of the policy.

(d) No contractor who is qualified to perform the work relating to this Agreement shall discriminate against any other contractor by reason of gender, race, creed, or color.

(e) All necessary employment documents and records shall be provided and access shall be granted to the Department to books, records, and accounts for purposes of investigation to ascertain compliance with the provisions of this Nondiscrimination/Sexual Harassment Clause. If documents or records reflecting the necessary information requested are not available, such information shall be furnished on reporting forms supplied by the Department.

(f) This Nondiscrimination/Sexual Harassment Clause shall be included in any contract awarded for the Project so that such provisions will be binding upon any contractors engaged for the Project.

(g) The Department may cancel or terminate this Agreement and all money due or to become due under this Agreement may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the Department may proceed with debarment or suspension and may place the party not in compliance in the Contractor Responsibility File, a repository of information on contractors.

ARTICLE V
REPAYMENT OF LOAN; GENERAL OBLIGATION

Section 5.1. Repayment of Loan.

The Borrower shall repay the Loan pursuant to the terms of the Bond issued to the Department.

Section 5.2. General Obligation.

The Borrower's repayment obligation constitutes a general obligation of the Borrower, secured by a pledge of its full faith, revenue and credit.

Section 5.3. [RESERVED]

ARTICLE VI
PREPAYMENTS

Section 6.1. Prepayments of Loan.

At its option and upon providing prior written notice to the Department, the Borrower may prepay the Loan, in whole or in part, without penalty, at any time. Such prior written notice shall specify the date on which the Borrower will make such prepayment and whether the Loan will be prepaid in full or in part, and if in part, the principal amount to be prepaid. Any such prepayment shall be applied against Loan principal installments then outstanding as shall be directed by the Borrower.

ARTICLE VII
OPERATION AND USE OF SYSTEM

Section 7.1. Inspection of System and Borrower's Books and Records.

The Department and its duly authorized representatives and agents shall have such reasonable rights of access to the System as may be necessary to determine whether the Borrower is in compliance with the requirements of this Agreement and shall have the right at all reasonable times and upon reasonable prior notice to the Borrower to examine and copy the books and records of the Borrower insofar as such books and records relate to the System.

The Borrower agrees to comply with all record keeping and reporting requirements under all applicable legal authorities, including any reports required by the Department, such as performance indicators of program deliverables and information on costs and project progress. The Borrower understands that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities and (ii) failure to comply with the applicable legal requirements and this Agreement may result in a default hereunder that results in a repayment of Loan Proceeds in advance of the maturity of the Bond and/or other remedial actions.

Section 7.2. Performance Certification.

The Borrower will notify the Department when the Project is completed and operation commenced on or before the date set out in Section 2.1(m).

Section 7.3. Operation, Maintenance and Use of System.

At its own cost and expense, the Borrower shall operate the System in a proper, sound and economical manner and in compliance with all legal requirements, shall maintain the

System in good repair and operating condition and from time to time shall make all necessary repairs, renewals and replacements.

ARTICLE VIII
INSURANCE, DAMAGE AND DESTRUCTION

Section 8.1. Insurance.

Unless the Department otherwise agrees in writing, the Borrower shall maintain or cause to be maintained insurance against such risks as are customarily insured against by owners of systems similar in size and character to the System.

ARTICLE IX
SPECIAL COVENANTS

Section 9.1. Maintenance of Existence.

The Borrower shall maintain its existence as a "Person" (as defined in the Federal Safe Drinking Water Act) and, without consent of the Department, which consent shall not be unreasonably withheld, shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate or merge with or into another entity. Notwithstanding the foregoing, the Borrower may consolidate or merge with or into, or sell or otherwise transfer all or substantially all of its assets to a political subdivision of The State of Delaware, and the Borrower thereafter may dissolve, if the surviving, resulting or transferee political subdivision, if other than the Borrower, assumes, in written form acceptable to the Department, all of the obligations of the Borrower contained in this Agreement, and there is furnished to the Department an Opinion of Counsel acceptable to the Department subject to customary exceptions and qualifications, to the effect that such assumption constitutes the legal, valid and binding obligations of the surviving, resulting or transferee entity in accordance with its terms.

Section 9.2. Financial Records and Statements.

The Borrower shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted accounting principles, consistently applied, of all its business and affairs related to the System. The Borrower shall have an annual audit made by an independent certified public accountant within one hundred twenty (120) days after the end of each Fiscal Year. Such report shall include either (a) disclosure language confirming the Borrower's continued compliance with its loan and mortgage covenants and restrictions or (b) a certificate of the accountants to the effect that, during the course of such accountant's regular examination of the Borrower's financial condition, nothing came to such accountant's attention that would constitute an Event of Default hereunder. A copy of the audited annual report shall be forwarded to the Department when completed.

Section 9.3. Certificate as to No Default.

The Borrower shall deliver to the Department, within one hundred twenty (120) days after the close of each Fiscal Year, a certificate signed by an Authorized Representative

stating that, during such year and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes an Event of Default, or if such an event or condition has happened or existed, or is happening or existing, specifying the nature and period of such event or condition and what action the Borrower has taken, is taking or proposes to take to rectify it.

Section 9.4. Further Assurances.

The Borrower shall to the fullest extent permitted by law pass, make, do, execute, acknowledge and deliver such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights of the Department under this Agreement, or as may be required to carry out the purpose of this Agreement. The Borrower shall at all times, to the fullest extent permitted by law, defend, preserve and protect all rights of the Department under this Agreement against all claims and demands of all persons.

Section 9.5. Other Indebtedness.

In the event that the Borrower is required to borrow additional funds in order to complete the Project, the Borrower agrees to consult with the Department before borrowing any such additional funds. The Borrower agrees to pay when due all amounts required by any other bonded indebtedness and to perform all of its obligations in connection therewith.

Section 9.6. Assignment by Borrower.

The Borrower may not assign its rights under this Agreement without the prior written consent of the Department, which consent shall not be unreasonably withheld. If the Borrower desires to assign its rights under this Agreement to another "Person" (as defined in the Federal Safe Drinking Water Act), the Borrower shall give notice of such fact to the Department. If the Department consents to the proposed assignment, the Borrower may proceed with the proposed assignment, but such assignment shall not become effective until the Department is furnished: (i) an assumption agreement in form and substance satisfactory to the Department by which the assignee agrees to assume all of the Borrower's obligations under this Agreement, and (ii) an Opinion of Counsel to the assignee, subject to customary exceptions and qualifications, that the assumption agreement and this Agreement constitute legal, valid and binding obligations of the assignee enforceable against the assignee in accordance with their terms and that the assignment and assumption comply in all respects with the provisions of this Agreement. Notwithstanding the foregoing, the assignment of the rights of the Borrower under this Agreement or the assumption of the obligations thereunder by the assignee shall in no way be construed as releasing the Borrower's obligations unless specifically agreed to by the Department.

ARTICLE X
DEFAULTS AND REMEDIES

Section 10.1. Events of Default.

Each of the following events shall be an “Event of Default” hereunder:

(a) The failure to pay any payment of principal, interest and/or any administrative fee when due hereunder or under the Bond;

(b) The Borrower’s failure to perform or observe any of the other covenants, agreements or conditions of this Agreement and the continuation of such failure for a period of thirty (30) days after the Department gives the Borrower written notice specifying such failure and requesting that it be cured, unless the Department shall agree in writing to an extension of such time prior to its expiration; *provided, however*, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Department will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected;

(c) Any warranty, representation or other statement by or on behalf of Borrower contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement is false or misleading in any material respect;

(d) An order or decree shall be entered, with the Borrower’s consent or acquiescence, appointing a receiver or receivers of the System or any part thereof or of the income thereof, or if such order or decree, having been entered without the Borrower’s consent or acquiescence, shall not be vacated, discharged or stayed on appeal within ninety (90) days after the entry thereof;

(e) Any proceeding shall be instituted, with the Borrower’s consent or acquiescence, for the purpose of effecting a composition between the Borrower and its creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the revenues of the System; or

(f) Any bankruptcy, insolvency or other similar proceeding shall be instituted by or against the Borrower under any federal or state bankruptcy or insolvency law now or hereinafter in effect and, if instituted against the Borrower, is not dismissed within ninety (90) days after filing.

Section 10.2. Notice of Default.

The Borrower agrees to give the Department prompt written notice if any order, decree or proceeding referred to in Section 10.1(d) through (f), inclusive, is entered or instituted against the Borrower or of the occurrence of any other event or condition which constitutes an Event of Default immediately upon becoming aware of the existence thereof.

Section 10.3. Remedies on Default.

Whenever any Event of Default referred to in Section 10.1 shall have happened and be continuing, the Department shall, in addition to any other remedies provided herein or by law, have the right, at its option without any further demand or notice, to take one or both of the following remedial steps:

(a) Discontinue advances of Loan Proceeds hereunder;

(b) Declare immediately due and payable all payments due or to become due under this Agreement or under the Bond, and upon notice to the Borrower, the same shall become immediately due and payable by the Borrower without further notice or demand; and

(c) Take whatever other action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under this Agreement or to enforce any other of the Department's rights under this Agreement or to enforce performance by the Borrower of its covenants, agreements or undertakings contained herein.

Section 10.4. Delay and Waiver.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default under this Agreement shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereto.

Section 10.5. Right to Cure Default.

If the Borrower shall fail to make any payment or to perform any act required by it under this Agreement, the Department without prior notice to or demand upon the Borrower and without waiving or releasing any obligation or default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by the Department and all costs, fees and expenses so incurred shall be payable by the Borrower as an additional obligation under this Agreement, together with interest thereon at the rate of interest of five percent (5%) per annum until paid. The Borrower's obligation under this Section shall survive the repayment of the Bond.

ARTICLE XI
MISCELLANEOUS

Section 11.1. Successors and Assigns.

This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 11.2. Amendments.

The Department and the Borrower shall have the right to amend from time to time any of the terms and conditions of this Agreement, *provided* that all amendments shall be in writing and shall be signed by or on behalf of the Department and the Borrower.

Section 11.3. Limitation of Liability of Borrower's Officers.

No present or future director, official, officer, employee or agent of the Borrower shall be liable personally in respect of this Agreement or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement.

Section 11.4. Applicable Law.

This Agreement shall be governed by the applicable laws of The State of Delaware.

Section 11.5. Severability.

If any clause, provision, or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or Section shall not affect the remainder of this Agreement which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement. If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Department and the Borrower, as the case may be, only to the extent permitted by law.

Section 11.6. Notice.

Unless otherwise provided for herein, all demands, notices, approvals, consents, requests, opinions and other communications under this Agreement shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed as follows:

Department: Delaware Department of Health and Social Services
Division of Public Health
Office of Drinking Water
Jesse Cooper Building
417 Federal Street – Room 226
Dover, DE 19901
Attention: DWSRF Program Director

With a copy to:

Delaware Department of Natural Resources
& Environmental Control, on behalf of the Delaware
Department of Health and Social Services
Office Of The Secretary, Environmental Finance
97 Commerce Way, Suite 106
Dover, DE 19904
Attention: Laura Robbins, Chief of Administration

and

Borrower: Tidewater Utilities, Inc.
1100 South Little Creek Road
Dover, DE 19901
Attention: Mr. Robert J. Capko, Treasurer

With a copy to:

Middlesex Water Company
485C Route One South, Suite 400
Iselin, NJ 08830
Attn: Jay L. Kooper, Vice President, General Counsel &
Secretary

The Department, and the Borrower may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinion or other communications shall be sent or persons to whose attention the same shall be directed.

Section 11.7. Headings.

The headings of the several articles and sections of this Agreement are inserted for convenience only and do not comprise a part of this Agreement.

Section 11.8. Terms of Agreement.

This Agreement shall be effective upon its execution and delivery by the Borrower and the Department. Except as otherwise specified, the Borrower's obligations under this Agreement shall expire upon payment in full of the Bond and all other amounts payable by the Borrower under this Agreement.

Section 11.9. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

WITNESS the following signatures, all duly authorized.

FOR THE DELAWARE DRINKING WATER STATE REVOLVING
FUND, ACTING BY AND THROUGH THE DELAWARE
DEPARTMENT OF HEALTH AND SOCIAL SERVICES, DIVISION
OF PUBLIC HEALTH

By: /s/ Laura Robbins

Laura Robbins
Chief of Administration
DNREC, Delaware Department of Natural
Resources and Environmental Control, on behalf
of the Delaware Department of Health and Social
Services

TIDEWATER UTILITIES, INC.

/s/ Robert J. Capko

By: Name: Robert J. Capko
Title: Treasurer

(SEAL)

Attest:

By: /s/ Jay L. Kooper
Jay L. Kooper
Secretary

*{SIGNATURE PAGE TO FINANCING AGREEMENT-SERIES 2024E-DWSRF- LEAD AND COPPER RULE
SERVICE LINES (LSLR) FJELD VERIFICATIONS}*

EXHIBIT AProject Description

The Project consists of the development of the Borrower's lead service line inventories for the entire water system of over 54,000 connections as part of an overall Lead and Copper Rule Service Lines (LSLR) program, including service line field verifications to be conducted at various locations throughout the Borrower's system based upon information developed during the data collection and evaluations being conducted as part of the inventory.

Service line field verifications using vacuum excavations will be conducted at approximately 1,152 locations. While utilizing the leadCAST predictive modeling, these proposed service line field verifications would get very close to eliminating all unknowns in all PWSIO inventories. The service line field verifications would be conducted at various locations throughout the Borrower's system based upon information developed during the data collection and evaluations being conducted as part of the inventory.

EXHIBIT B**Project Budget**

<u>Project Budget:</u>	<u>Total Cost</u>
Engineering	\$ 534,300.00
Construction	\$ 1,556,790.00
Contingency	\$ 155,679.00
Total Budget	\$ 2,246,769.00
Source of Funds:	
DWSRF Loan	\$ 2,246,769.00

EXHIBIT C

Form of Requisition

PROJECT NAME: _____

FUNDING RECIPIENT: _____
E. I. # _____

**UNITED STATES
DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT**

AND/ **STATE OF DELAWARE**
OR **DHSS**

REQUISITION NO: _____
DATE: _____

USDA LOAN NO. _____
USDA GRANT NO. _____

**SEPARATELY OR
JOINTLY FUNDED PROJECT**

STATE LOAN NO. _____
STATE GRANT NO. _____

ACCOUNT SUMMARY AND REQUEST FOR LOAN/GRANT DISBURSEMENT

DISBURSEMENT ITEMS	AMOUNT BUDGETED	PREVIOUS DISBURSEMENTS	THIS PERIOD	TOTAL TO DATE	REMAINING FUNDS
CONSTRUCTION					
CONTRACT NAME OR #					
CONTRACT NAME OR #					
CONTRACT NAME OR #					
LAND AND R.O.W.					
LEGAL AND ADMIN					
ENGINEERING FEES					
INTEREST					
CONTINGENCIES					
INITIAL O & M					
OTHER (describe)					
DISBURSEMENT TOTALS					
SOURCES OF FUNDING					
USDA LOAN					
USDA GRANT					
STATE LOAN					
STATE GRANT					
OTHER (describe)					
OTHER (describe)					
OTHER (describe)					
SOURCE TOTALS (must equal disbursement totals above)					

See Notes on Page 2 (other side)

 PREPARED BY (BORROWER/GRANTEE) DATE

 APPROVED BY (DHSS/ODW) DATE

 APPROVED BY (ARCHITECT/ENGINEER) DATE

 APPROVED BY (USDA/RD) DATE

<p style="text-align: center;">Borrower/Grantee's Certification</p> <p>The undersigned certifies that (1) the amounts requested by this requisition will be applied solely and exclusively to the payment, or the reimbursement of the recipient for the payment, of Project Costs, and (2) any materials, supplies or equipment covered by this requisition are not subject to any lien or security interest or such lien or security interest will be released upon payment of this requisition.</p>	<p style="text-align: center;">Consulting Engineer's Certification</p> <p>The undersigned Consulting Engineer for the Recipient hereby Certifies that insofar as the amounts covered by this Requisition include payment for labor or to contractors, builders or materialmen, such work was actually performed or such materials, supplies or equipment were actually furnished to or installed in the Project.</p>
Recipient's Authorized Representative Name, Title (PRINTED)	Title and Company Name (PRINTED)
Recipient's Authorized Representative Signature Date	Consulting Engineer's Name (PRINTED)
	Authorized Consulting Engineer Signature Date

NOTES:

1. Include copies of all invoices or other acceptable documentation to support above request. Provide one (1) set for each funding agency.
2. On jointly funded projects, disbursements will not be processed until this document is approved by authorized representatives of both the U. S. Department of Agriculture and the State of Delaware, Department of Health and Social Services.

EXHIBIT DSchedule of Disbursements

<u>Date</u>	<u>Amount (\$)</u>
October 2024	2,000,000
November 2024	246,769
Total:	\$ 2,246,769

EXHIBIT E

Form of Change Order

**UNITED STATES
DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT**

AND/ **STATE OF DELAWARE**
OR **DHSS**

ORDER NO: _____

DATE: _____

STATE: _____

COUNTY: _____

SEPARATELY OR JOINTLY FUNDED PROJECT

CONTRACT CHANGE ORDER

CONTRACT FOR: _____

OWNER: _____

To: _____
(Contractor)

You are hereby requested to comply with the following changes from the contract plans and specifications:

Description of Changes (Supplemental Plans and Specifications Attached)	DECREASE in Contract Price	INCREASE In Contract Price
	\$ _____	\$ _____
TOTALS	\$ _____	\$ _____
NET CHANGE IN CONTRACT PRICE	\$ _____	\$ _____

JUSTIFICATION: Explain (Differing Site Conditions) (Errors or Omissions in Drawings or Specifications) (Changes in Regulatory Requirements) (Design Changes) (Over run or Under run in Quantities) (Factors Affecting Time of Completion) (Other: Describe below)

The original amount of the Contract: _____ Dollars (\$ _____)

The amount of the Contract as adjusted by all previously approved Change Orders: _____ Dollars (\$ _____)

The amount of the Contract will be (Decreased) (Increased) through this Change Order by the sum of: _____ Dollars (\$ _____)

The Contract Total including this and all previous Change Orders will be: _____ Dollars (\$ _____)

The Contract Period provided for completion will be (Increased) (Decreased) (Unchanged) by: _____ Calendar Days

Page 2
CONTRACT CHANGE ORDER FORM
CHANGE ORDER NO. _____

This document will become a supplement to the contract and all provisions will apply hereto.

Requested: _____
(Owner) (Date)

Recommended: _____
(Owner's Architect/Engineer) (Date)

Accepted: _____
(Contractor) (Date)

Approved by State of Delaware: _____
(Date)

Approved by U. S. Department
of Agriculture: _____
(Date)

After all five (5) copies of the Change Order have been signed and dated by authorized representatives of all the applicable parties in the spaces provided above, transmit one (1) copy to each party as listed below.

- U. S. Department of Agriculture's Copy
- State of Delaware's Copy
- Contractor's Copy
- Borrower/Grantee's Copy
- Architect/Engineer's Copy

EXHIBIT "F"**CERTIFICATE OF THE BORROWER AND
PROJECTED DRAWDOWN SCHEDULE OF THE
PROJECT**

The undersigned, as representatives of Tidewater Utilities, Inc. (the "Borrower") in connection with the issuance of its \$2,246,769 General Obligation Bond (Lead and Copper Rule Service Lines (LSLR) Field Verifications Project), Series 2024E-DWSRF, have reviewed the estimated drawdown schedule prepared by the Borrower, attached hereto as Exhibit D and made a part hereof.

We hereby certify as of September 27, 2024 that the estimated drawdown schedule attached hereto as Exhibit D and statements made under Section 2.1(m) "Representations by Borrower" in the foregoing Financing Agreement between the Borrower and the Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health and Social Services, Division of Public Health, are to the best of our knowledge true and correct as of the date hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TIDEWATER UTILITIES, INC.

By: /s/ Robert J. Capko
Robert J. Capko
Treasurer

Attest:

By: /s/ Jay L. Kooper
Jay L. Kooper
Secretary

*[SIGNATURE PAGE TO EXHIBIT F- CERTIFICATE AS TO PROJECTEDDRAWDOWN SCHEDULE -
SERIES 2024E-DWSRF - LEAD AND COPPER RULE SERVICE LINES (LSLR) FIELD VERIFICATIONS]*

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

I, Nadine Leslie, certify that:

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

/s/ Nadine Leslie

Nadine Leslie

President and Chief Executive Officer

Date: October 31, 2024

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

I, Mohammed G. Zerhouni, certify that:

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

/s/ Mohammed G. Zerhouni

Mohammed G. Zerhouni

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2024

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

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

/s/ Nadine Leslie

Nadine Leslie

President and Chief Executive Officer

Date: October 31, 2024

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

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

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

/s/ Mohammed G. Zerhouni

Mohammed G. Zerhouni

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2024

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