UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

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	**22-1114430**
(State of incorporation)	(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)

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 þ 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 þ 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 þ 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 þ

The number of shares outstanding of each of the registrant's classes of common stock, as of April 30, 2019: Common Stock, No Par Value: 16,468,462 shares outstanding.

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

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
Operating Revenues	**$**	**30,698**	$	31,177
Operating Expenses:				
Operations and Maintenance		**16,120**		17,834
Depreciation		**4,046**		3,609
Other Taxes		**3,504**		3,384
Total Operating Expenses		**23,670**		24,827
Operating Income		**7,028**		6,350
Other Income (Expense):				
Allowance for Funds Used During Construction		**515**		167
Other Income (Expense), net		**(57)**		297
Total Other Income, net		**458**		464
Interest Charges		**1,200**		1,138
Income before Income Taxes		**6,286**		5,676
Income Taxes		**(266)**		1,182
Net Income		**6,552**		4,494
Preferred Stock Dividend Requirements		**36**		36
Earnings Applicable to Common Stock	**$**	**6,516**	$	4,458
Earnings per share of Common Stock:				
Basic	**$**	**0.40**	$	0.27
Diluted	**$**	**0.39**	$	0.27
Average Number of Common Shares Outstanding:				
Basic		**16,428**		16,354
Diluted		**16,584**		16,510
Cash Dividends Paid per Common Share	**$**	**0.2400**	$	0.2238

See Notes to Condensed Consolidated Financial Statements.

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

ASSETS		March 31, 2019	December 31, 2018
UTILITY PLANT:	Water Production	**$ 156,716**	$ 156,423
	Transmission and Distribution	**515,017**	512,202
	General	**77,304**	74,371
	Construction Work in Progress	**40,346**	32,878
	TOTAL	**789,383**	775,874
	Less Accumulated Depreciation	**160,777**	157,387
	UTILITY PLANT - NET	**628,606**	618,487
CURRENT ASSETS:	Cash and Cash Equivalents	**4,986**	3,705
	Accounts Receivable, net	**9,982**	11,762
	Unbilled Revenues	**6,940**	7,293
	Materials and Supplies (at average cost)	**5,479**	5,411
	Prepayments	**2,263**	2,644
	TOTAL CURRENT ASSETS	**29,650**	30,815
AND OTHER ASSETS:	Operating Lease Right-of-Use Asset	**6,517**	—
	Preliminary Survey and Investigation Charges	**5,359**	5,254
	Regulatory Assets	**98,826**	99,236
	Restricted Cash	**1,802**	1,956
	Non-utility Assets - Net	**10,203**	9,989
	Other	**2,010**	2,093
	TOTAL DEFERRED CHARGES AND OTHER ASSETS	**124,717**	118,528
	TOTAL ASSETS	**$ 782,973**	$ 767,830
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	**$ 160,142**	157,354
	Retained Earnings	**94,000**	91,433
	TOTAL COMMON EQUITY	**254,142**	248,787
	Preferred Stock	**2,433**	2,433
	Long-term Debt	**158,422**	152,851
	TOTAL CAPITALIZATION	**414,997**	404,071
CURRENT	Current Portion of Long-term Debt	**7,336**	7,343
LIABILITIES:	Notes Payable	**49,500**	48,500
	Accounts Payable	**13,976**	19,325
	Accrued Taxes	**17,466**	14,230
	Accrued Interest	**587**	1,289
	Unearned Revenues and Advanced Service Fees	**1,025**	1,036
	Other	**3,356**	2,640
	TOTAL CURRENT LIABILITIES	**93,246**	94,363
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)			
DEFERRED CREDITS	Customer Advances for Construction	**22,616**	22,572
AND OTHER LIABILITIES:	Operating Lease Obligation	**6,260**	—
	Accumulated Deferred Income Taxes	**47,869**	47,270
	Employee Benefit Plans	**29,976**	30,661
	Regulatory Liabilities	**76,217**	79,112
	Other	**2,530**	2,730
	TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	**185,468**	182,345
CONTRIBUTIONS IN AID OF CONSTRUCTION		**89,262**	87,051
	TOTAL CAPITALIZATION AND LIABILITIES	**$ 782,973**	$ 767,830

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	**$ 6,552**	$ 4,494
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	**4,190**	3,771
Provision for Deferred Income Taxes and Investment Tax Credits	**(2,319)**	117
Equity Portion of Allowance for Funds Used During Construction (AFUDC)	**(347)**	(115)
Cash Surrender Value of Life Insurance	**(123)**	(2)
Stock Compensation Expense	**229**	173
Changes in Assets and Liabilities:		
Accounts Receivable	**1,780**	815
Unbilled Revenues	**353**	7
Materials & Supplies	**(68)**	(37)
Prepayments	**381**	356
Accounts Payable	**(5,349)**	(2,915)
Accrued Taxes	**3,236**	3,185
Accrued Interest	**(702)**	(591)
Employee Benefit Plans	**26**	(588)
Unearned Revenue & Advanced Service Fees	**(11)**	15
Other Assets and Liabilities	**(164)**	296
NET CASH PROVIDED BY OPERATING ACTIVITIES	**7,664**	8,981
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures, Including AFUDC of $168 in 2019, $52 in 2018	**(12,324)**	(10,011)
NET CASH USED IN INVESTING ACTIVITIES	**(12,324)**	(10,011)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	**(1,337)**	(1,141)
Proceeds from Issuance of Long-term Debt	**6,899**	2,293
Net Short-term Bank Borrowings	**1,000**	(500)
Deferred Debt Issuance Expense	**—**	(20)
Common Stock Issuance Expense	**(6)**	—
Proceeds from Issuance of Common Stock	**2,559**	286
Payment of Common Dividends	**(3,943)**	(3,659)
Payment of Preferred Dividends	**(36)**	(36)
Construction Advances and Contributions-Net	**651**	182
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**5,787**	(2,595)
NET CHANGES IN CASH AND CASH EQUIVALENTS	**1,127**	(3,625)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	**5,661**	6,397
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	**$ 6,788**	$ 2,772
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Utility Plant received as Construction Advances and Contributions	**$ 1,605**	$ 284
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Year for:		
Interest	**$ 2,297**	$ 1,833
Interest Capitalized	**$ 168**	$ 52
Income Taxes	**$ 815**	$ —

See Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2019	December 31, 2018
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares Outstanding - 2019 - 16,451; 2018 - 16,403	**$ 160,142**	$ 157,354
Retained Earnings	**94,000**	91,433
TOTAL COMMON EQUITY	**$ 254,142**	$ 248,787
Cumulative Preferred Stock, No Par Value:		
Shares Authorized - 126		
Shares Outstanding - 23		
Convertible:		
Shares Outstanding, $7.00 Series - 10	**1,005**	1,005
Shares Outstanding, $8.00 Series - 3	**349**	349
Nonredeemable:		
Shares Outstanding, $7.00 Series - 1	**79**	79
Shares Outstanding, $4.75 Series - 10	**1,000**	1,000
TOTAL PREFERRED STOCK	**$ 2,433**	$ 2,433
Long-term Debt:		
8.05%, Amortizing Secured Note, due December 20, 2021	**$ 856**	$ 924
6.25%, Amortizing Secured Note, due May 19, 2028	**3,850**	3,955
6.44%, Amortizing Secured Note, due August 25, 2030	**3,197**	3,267
6.46%, Amortizing Secured Note, due September 19, 2031	**3,477**	3,547
4.22%, State Revolving Trust Note, due December 31, 2022	**228**	228
3.60%, State Revolving Trust Note, due May 1, 2025	**1,632**	1,632
3.30% State Revolving Trust Note, due March 1, 2026	**330**	351
3.49%, State Revolving Trust Note, due January 25, 2027	**369**	389
4.03%, State Revolving Trust Note, due December 1, 2026	**501**	501
4.00% to 5.00%, State Revolving Trust Bond, due August 1, 2021	**111**	111
0.00%, State Revolving Fund Bond, due August 1, 2021	**85**	88
3.64%, State Revolving Trust Note, due July 1, 2028	**235**	235
3.64%, State Revolving Trust Note, due January 1, 2028	**77**	77
3.45%, State Revolving Trust Note, due August 1, 2031	**879**	907
6.59%, Amortizing Secured Note, due April 20, 2029	**3,517**	3,604
7.05%, Amortizing Secured Note, due January 20, 2030	**2,708**	2,771
5.69%, Amortizing Secured Note, due January 20, 2030	**5,555**	5,684
4.45%, Amortizing Secured Note, due April 20, 2040	**9,277**	9,387
4.47%, Amortizing Secured Note, due April 20, 2040	**3,442**	3,483
3.75%, State Revolving Trust Note, due July 1, 2031	**1,954**	1,954
2.00%, State Revolving Trust Note, due February 1, 2036	**1,039**	1,064
3.75%, State Revolving Trust Note, due November 30, 2030	**1,024**	1,024
0.00% Construction Loans	**23,408**	16,509
First Mortgage Bonds:		
0.00%, Series Z, due August 1, 2019	**113**	113
5.25% to 5.75%, Series AA, due August 1, 2019	**155**	155
0.00%, Series BB, due August 1, 2021	**354**	362
4.00% to 5.00%, Series CC, due August 1, 2021	**489**	489
0.00%, Series EE, due August 1, 2023	**1,819**	1,876
3.00% to 5.50%, Series FF, due August 1, 2024	**2,980**	2,980
0.00%, Series GG, due August 1, 2026	**710**	723
4.00% to 5.00%, Series HH, due August 1, 2026	**795**	795
0.00%, Series II, due August 1, 2024	**506**	520
3.40% to 5.00%, Series JJ, due August 1, 2027	**671**	671
0.00%, Series KK, due August 1, 2028	**880**	898
5.00% to 5.50%, Series LL, due August 1, 2028	**1,010**	1,010
0.00%, Series MM, due August 1, 2030	**1,103**	1,137
3.00% to 4.375%, Series NN, due August 1, 2030	**1,415**	1,415
0.00%, Series OO, due August 1, 2031	**1,906**	1,956
2.00% to 5.00%, Series PP, due August 1, 2031	**700**	700
5.00%, Series QQ, due October 1, 2023	**9,915**	9,915
3.80%, Series RR, due October 1, 2038	**22,500**	22,500
4.25%, Series SS, due October 1, 2047	**23,000**	23,000
0.00%, Series TT, due August 1, 2032	**2,057**	2,107
3.00% to 3.25%, Series UU, due August 1, 2032	**800**	800
0.00%, Series VV, due August 1, 2033	**2,100**	2,147
3.00% to 5.00%, Series WW, due August 1, 2033	**795**	795

0.00%, Series XX, due August 1, 2047		**10,880**		11,006
3.00% to 5.00%, Series YY, due August 1, 2047		**3,860**		3,860
0.00%, Series 2018A, due August 1, 2047		**6,837**		6,917
3.00%-5.00%, Series 2018B, due August 1, 2047		**2,365**		2,365
SUBTOTAL LONG-TERM DEBT		**168,466**		162,904
Add: Premium on Issuance of Long-term Debt		**1,204**		1,259
Less: Unamortized Debt Expense		**(3,912)**		(3,969)
Less: Current Portion of Long-term Debt		**(7,336)**		(7,343)
TOTAL LONG-TERM DEBT	**$**	**158,422**	$	152,851

See Notes to 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
For the Three Months Ended March 31, 2018							
Balance at January 1, 2018	16,352	$	155,120	$	74,056	$	229,176
Net Income	—		—		4,494		4,494
Dividend Reinvestment & Common Stock Purchase Plan	8		286		—		286
Restricted Stock Award, Net - Employees	—		174		—		174
Shares Forefeited	(2)		—		—		—
Cash Dividends on Common Stock	—		—		(3,659)		(3,659)
Cash Dividends on Preferred Stock	—		—		(36)		(36)
Balance at March 31, 2018	16,358	$	155,580	$	74,855	$	230,435
For the Three Months Ended March 31, 2019							
Balance at January 1, 2019	16,403	$	157,354	$	91,433	$	248,787
Net Income	—		—		6,552		6,552
Dividend Reinvestment & Common Stock Purchase Plan	48		2,559		—		2,559
Restricted Stock Award, Net - Employees	—		229		—		229
Cash Dividends on Common Stock	—		—		(3,943)		(3,943)
Cash Dividends on Preferred Stock	—		—		(36)		(36)
Common Stock Expenses	—		—		(6)		(6)
Balance at March 31, 2019	**16,451**	**$**	**160,142**	**$**	**94,000**	**$**	**254,142**

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

The consolidated notes within the 2018 Annual Report on Form 10-K (the 2018 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 financial position as of March 31, 2019 and the results of operations and cash flows for the three month periods ended March 31, 2019 and 2018. Information included in the Condensed Consolidated Balance Sheet as of December 31, 2018, has been derived from the Company's audited financial statements for the year ended December 31, 2018 included in the 2018 Form 10-K.

Recently Adopted Accounting Guidance

Leases - On January 1, 2019, the Company adopted Financial Accounting Standards Board (FASB) issued guidance related to leases which required lessees to recognize a lease liability and a right-of-use asset. The Company elected the optional transition method of adoption option to apply the requirements of the standard in the period of adoption with no restatement of prior periods. The Company utilized the package of transition practical expedients provided by the new guidance, including carrying forward prior conclusions related to contracts that contain leases and lease classification. The Company also utilized the transition practical expedient permitting entities to forgo the evaluation of existing land easement arrangements to determine if they contain a lease. Land easement arrangements, or modifications to existing arrangements, entered into after adoption of this guidance will need to be evaluated to determine if they meet the definition of a lease. The adoption of this guidance resulted in the recording of a $6.7 million right-of-use asset, a $7.1 million lease liability and a $0.4 million regulatory asset on the Company's consolidated balance sheet as of January 1, 2019. For further discussion, see "*Leases*" in *Note 7 – Commitments and Contingent Liabilities*.

There are no other new adopted or proposed accounting guidance that the Company is aware of that could have a material impact on the Company's financial statements.

Note 2 – Rate and Regulatory Matters

Middlesex – In December 2018, the New Jersey Board of Public Utilities (the NJBPU) approved Middlesex's petition to establish its Purchased Water Adjustment Clause (PWAC) tariff rate to recover additional annual costs of less than $0.1 million, primarily for the purchase of treated water from a non-affiliated water utility regulated by the NJBPU. A PWAC is a rate mechanism that allows for recovery of increased purchased water costs between base rate case filings. The PWAC is reset to zero once those increased costs are included in base rates. The PWAC tariff rate became effective on January 1, 2019.

Tidewater - Effective January 1, 2019, Tidewater reset its Delaware Public Service Commission (the DEPSC) approved Distribution System Improvement Charge rate, which is expected to generate revenues of approximately $0.2 million annually.

In February 2019, Tidewater received approval from the DEPSC to reduce its rates, effective March 1, 2019, to reflect the lower corporate income tax rate enacted by the Tax Cuts and Jobs Act of 2017 (the Tax Act), resulting in an overall rate decrease of 3.35%, or $1.0 million of revenues, on an annual basis. The DEPSC also approved a one-time credit of $0.7 million to customers' accounts related to the lower corporate income tax rate.

Pinelands - In March 2019, Pinelands Water and Pinelands Wastewater filed separate petitions with the NJBPU seeking permission to increase base rates by approximately $0.2 million and $0.5 million per year, respectively. These requests were necessitated by capital infrastructure investments both companies have made, or have committed to make, and increased operations and maintenance costs. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the requests. A decision by the NJBPU in either matter is not expected before the fourth quarter of 2019.

Note 3 – Capitalization

Common Stock - During the three months ended March 31, 2019 and 2018, there were 47,649 common shares ($2.6 million) and 7,665 common shares (approximately $0.3 million), respectively, issued under the Middlesex Water Company Investment Plan (the Investment Plan). On January 2, 2019, the Company began offering shares of its common stock for purchase at a 5% discount to participants in the Investment Plan. The discount offering will continue until 200,000 shares are purchased at the discounted price or December 30, 2019, whichever event occurs first. The discount applies to all common stock purchases made under the Investment Plan, whether by optional cash payment or by dividend reinvestment.

In March 2019, Middlesex filed a petition with the NJBPU seeking approval to issue and sell up to 1,500,000 shares of its common stock in one or more transactions through December 31, 2022. The sale of these additional shares of common stock is 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 approved the New Jersey Economic Development Authority (NJEDA) debt funding component of the financing plan. We believe the NJBPU will approve the common stock offering request, as filed, during the second quarter of 2019.

Long-term Debt - Subject to regulatory approval, the Company periodically issues long-term debt to fund its investments in utility plant and other assets. To the extent possible, 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 that are typically below rates available in the broader financial markets. A portion of the borrowings under the New Jersey SRF is interest-free. 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. The current interest rate on construction loan borrowings is zero percent (0%). 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. The current term of the long-term loans offered through the NJIB is up to thirty years. The current portion of the principal balance having a stated interest rate of zero percent (0%) is 75% with the remaining portion of 25% having a market based interest rate. NJIB generally schedules its long-term debt financings in May and November.

In September 2018, the NJIB announced changes to the SRF program for project funding priority ranking, the proportions of interest free loans and market interest rate loans and overall loan limits on interest free loan balances to investor-owned water utilities. These changes affect SRF projects for which the construction loan closes after September 2018. Under the new guidelines, the principal balance having a stated interest rate of zero percent (0%) is 25% of the loan balance with the remaining portion of 75% having a market based interest rate. This is limited to the first $10.0 million of the loan. Loan amounts above $10.0 million do not participate in the 0% rate program, but do participate at the market based interest rate.

The only active project affected by the SRF program changes is the upgrade to the Company's Carl J. Olsen water treatment plant (CJO Plant). In April 2018, the NJBPU approved Middlesex's request to participate in the NJIB loan program and borrow up to $55.0 million for the CJO Plant project. Although the CJO Plant project has met all the SRF Program requirements, the NJIB has been unable to commit to funding the construction loan.

In order to help ensure adherence to its comprehensive financing plan, Middlesex received approval from the NJBPU in February 2019 to issue and sell up to $140 million of First Mortgage Bonds through the NJEDA in one or more transactions through December 31, 2022.

In May 2018, Middlesex repaid its $9.5 million RENEW 2017 interest-free construction loan by issuing to the NJIB first mortgage bonds designated as Series 2018A ($7.1 million) and Series 2018B ($2.4 million). The interest rate on the Series 2018A bond is zero and the interest rate on the Series 2018B bond ranges between 3.0% and 5.0%. Through March 31, 2019, Middlesex has drawn a total of $8.2 million and expects to draw the remaining proceeds during the second quarter of 2019. The final maturity date for both bonds is August 1, 2047, with scheduled debt service payments over the life of the loans.

In April 2018, the NJBPU approved Middlesex's request to participate in the NJIB loan program to fund the construction of a large-diameter transmission pipeline from the CJO water treatment plant and interconnect with our distribution system. Middlesex closed on a $43.5 million NJIB interest-free construction loan in August 2018. Through March 31, 2019, Middlesex has drawn a total of $16.8 million and expects to draw down the remaining proceeds through the end of 2019.

In March 2018, the NJBPU approved Middlesex's request to borrow up to $14.0 million under the NJIB program to fund the 2018 RENEW Program, which is an ongoing initiative to eliminate all unlined water distribution mains in the Middlesex system. Middlesex closed on an $8.7 million NJIB construction loan in September 2018. Through March 31, 2019, Middlesex has drawn a total of $6.6 million and expects to draw the remaining proceeds during the remainder of 2019. The NJIB has informed the Company that the RENEW 2018 interest-free construction loan is scheduled for the May 2019 long-term debt financing program.

In March 2018, the DEPSC approved Tidewater's request to borrow up to $0.9 million under the Delaware SRF program to fund the replacement of an entire water distribution system of a small Delaware subdivision. Tidewater closed on the SRF loan in May 2018. In April 2019, Tidewater received approval from the DEPSC to increase the borrowing to $1.7 million based on revised project cost estimates. The closing on the additional $0.8 million is expected to occur in June 2019.

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, trade receivables, accounts payable and notes payable approximate their respective fair values due to the short-term maturities of these instruments. The fair value of First Mortgage and State Revolving Fund 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 Bonds in the table below are classified as Level 2 measurements. The carrying amount and fair value of the Bonds were as follows:

	March 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bonds	$100,910	$103,247	$101,411	$102,789

For other long-term debt for which there was no quoted market price and there is not an active trading market, it was not practicable to estimate their fair value (for details, including carrying value, interest rate and due date on these series of long-term debt, please refer to those series noted as "Amortizing Secured Note", "State Revolving Trust Note" and "Construction Loans" on the Condensed Consolidated Statements of Capital Stock and Long-Term Debt). The carrying amount of these instruments was $67.6 million and $61.5 million at March 31, 2019 and December 31, 2018, respectively. Customer advances for construction have carrying amounts of $22.6 million at both March 31, 2019 and December 31, 2018, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

Note 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 both the Convertible Preferred Stock $7.00 Series and the Convertible Preferred Stock $8.00 Series.

	(In Thousands Except per Share Amounts) Three Months Ended March 31,			
	2019		2018	
Basic:	Income	Shares	Income	Shares
Net Income	$ 6,552	16,428	$ 4,494	16,354
Preferred Dividend	(36)		(36)	
Earnings Applicable to Common Stock	$ 6,516	16,428	$ 4,458	16,354
Basic EPS	$ 0.40		$ 0.27	
Diluted:				
Earnings Applicable to Common Stock	$ 6,516	16,428	$ 4,458	16,354
$7.00 Series Preferred Dividend	17	115	17	115
$8.00 Series Preferred Dividend	6	41	6	41
Adjusted Earnings Applicable to Common Stock	$ 6,539	16,584	$ 4,481	16,510
Diluted EPS	$ 0.39		$ 0.27	

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, Delaware and Pennsylvania. This segment also includes regulated wastewater systems in New Jersey and Delaware. The Company is subject to regulations as to its rates, services and other matters by New Jersey, Delaware and Pennsylvania 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.

Operations by Segments:	(In Thousands) Three Months Ended March 31, 2019	2018
Revenues:		
Regulated	$ 27,898	$ 27,206
Non – Regulated	2,925	4,100
Inter-segment Elimination	(125)	(129)
Consolidated Revenues	$ 30,698	$ 31,177
Operating Income:		
Regulated	$ 6,034	$ 5,625
Non – Regulated	994	725
Consolidated Operating Income	$ 7,028	$ 6,350
Net Income:		
Regulated	$ 5,868	$ 3,983
Non – Regulated	684	511
Consolidated Net Income	$ 6,552	$ 4,494
Capital Expenditures:		
Regulated	$ 12,293	$ 9,978
Non – Regulated	31	33
Total Capital Expenditures	$ 12,324	$ 10,011

	As of March 31, 2019	As of December 31, 2018
Assets:		
Regulated	$ 780,317	$ 764,749
Non – Regulated	9,087	8,994
Inter-segment Elimination	(6,431)	(5,913)
Consolidated Assets	$ 782,973	$ 767,830

Note 6 – Short-term Borrowings

As of March 31, 2019, the Company retains lines of credit aggregating $100.0 million. At March 31, 2019, the outstanding borrowings under these credit lines were $49.5 million at a weighted average interest rate of 3.61%.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were $50.0 million and $27.9 million at 3.64% and 2.74% for the three months ended March 31, 2019 and 2018, respectively.

The maturity dates for the $49.5 million outstanding as of March 31, 2019 are in April 2019 through June 2019 and are extendable at the discretion of the Company.

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

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, 2023, which provides for an average purchase of 27.0 million gallons a day (mgd). Pricing is set annually by the NJWSA through a public rate making process. The agreement has provisions for additional pricing in the event Middlesex overdrafts or exceeds certain monthly and annual thresholds.

Middlesex also has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement, which expires February 27, 2021, provides for the minimum purchase of 3.0 mgd of treated water with provisions for additional purchases.

Tidewater contracts with the City of Dover, Delaware to purchase 15.0 million gallons of treated water annually.

Purchased water costs are shown below:

	(In Thousands) Three Months Ended March 31,	
	2019	2018
Treated	$ 770	$ 888
Untreated	861	930
Total Costs	$ 1,631	$ 1,818

Guarantees - As part of an agreement with the County of Monmouth, New Jersey (County), Middlesex serves as guarantor of the performance of Applied Water Management, Inc. (AWM), an unaffiliated wastewater contractor, to operate a County-owned leachate pretreatment facility at the Monmouth County Reclamation Center in Tinton Falls, New Jersey. The performance guaranty is effective through 2028 unless another guarantor, acceptable to the County, replaces Middlesex before such date. Under agreements with AWM and Natural Systems Utilities, LLC (NSU), the parent company of AWM, Middlesex earns a fee for providing the performance guaranty. In addition, Middlesex may provide operational support to the facility, as needed, and AWM and NSU, serving as guarantor to Middlesex with respect to the performance of AWM, have indemnified Middlesex against any claims that may arise under the Middlesex guaranty to the County.

If requested to perform under the guaranty to the County and, if AWM and NSU, as guarantor to Middlesex, do not fulfill their obligations to indemnify Middlesex against any claims that may arise under the Middlesex guaranty to the County, Middlesex would be required to fulfill the remaining operational commitment of AWM. As of both March 31, 2019 and December 31, 2018, the liability recognized in Other Non-Current Liabilities on the balance sheet for the guaranty is approximately $1.5 million.

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 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 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 $0.1 million and less than $0.1 million for the three months ended March 31, 2019 and 2018, respectively.

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

	(In Millions) March 31, 2019
ROU Asset at Lease Inception	$ 7.3
Accumulated Amortization	(0.8)
Current ROU Asset	$ 6.5

The Company's future minimum operating lease commitments as of March 31, 2019 are as follows:

	(In Millions) March 31, 2019
2019	$ 0.5
2020	0.8
2021	0.8
2022	0.8
2023	0.8
Thereafter	5.3
Total Lease Payments	$ 9.0
Imputed Interest	(2.1)
Present Value of Lease Payments	6.9
Less Current Portion*	(0.6)
Non-Current Lease Liability	$ 6.3
*Included in Other Current Liabilities	

Construction - The Company has forecasted to spend approximately $112 million for its construction program in 2019. The Company has entered into several contractual construction agreements that, in the aggregate, obligate it to expend an estimated $17 million in the future. The timing and amount of capital expenditures is dependent on project scheduling and refinement of engineering estimates for certain projects.

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

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

Note 8 – Employee Benefit Plans

Pension Benefits - The Company's 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 that is at the discretion of the Company. In order to be eligible for a contribution, the participant must be employed by the Company on December 31st of the year to which the contribution relates. For each of the three month periods ended March 31, 2019 and 2018, the Company made Pension Plan cash contributions of $0.5 million. The Company expects to make Pension Plan cash contributions of approximately $3.1 million over the remainder of the current year. The Company also maintains an unfunded supplemental retirement benefit plan for certain active and retired Company officers and currently pays $0.4 million in annual benefits to the retired participants.

Other Postretirement Benefits - The Company's retirement plan other than pensions (Other Benefits Plan) covers substantially all of its current 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 three month periods ended March 31, 2019 and 2018, the Company made Other Benefits Plan cash contributions of $0.2 million. The Company expects to make Other Benefits Plan cash contributions of approximately $1.2 million over the remainder of the current year.

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

	(In Thousands)			
	Pension Benefits		Other Benefits	
	Three Months Ended March 31,			
	2019	2018	2019	2018
Service Cost	$ 543	$ 607	$ 210	$ 284
Interest Cost	857	765	496	474
Expected Return on Assets	(1,173)	(1,218)	(613)	(637)
Amortization of Unrecognized Losses	404	415	330	447
Amortization of Unrecognized Prior Service Credit	—	—	—	(402)
Net Periodic Benefit Cost*	$ 631	$ 569	$ 423	$ 166

*Service cost is included in Operations and Maintenance expense on 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 is derived from tariff-based sales that result from the obligation to provide water and wastewater services to residential, industrial, commercial, fire-protection and wholesale customers. The Company's residential customers are billed quarterly while most of the Company's industrial, commercial, fire-protection and wholesale customers are billed monthly. Payments by customers are due between 15 and 30 days after the invoice date. The Company recognizes revenue as the water and wastewater services are delivered, to customers as well as records 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 its service territories. Unearned Revenues and Advance Service Fees include fixed service charge billings in advance of service provided to Tidewater customers and are recognized as service is provided.

Non-regulated service contract revenues consist of base service fees, as well as fees for additional billable services provided to customers, 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. Certain of these contracts continue through 2022 and thus contain remaining performance obligations for which the Company expects to recognize revenue in the future. These contracts also contain termination provisions.

Substantially all operating revenues and accounts receivable are from contracts with customers. The Company records an allowance for doubtful accounts 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 March 31, 2019	2018
Regulated Tariff Sales		
Residential	$ 15,980	$ 15,623
Commercial	3,309	3,109
Industrial	2,198	2,312
Fire Protection	3,013	2,888
Wholesale	3,339	3,212
Non-Regulated Contract Operations	2,824	3,999
Total Revenue from Contracts with Customers	$ 30,663	$ 31,143
Other Regulated Revenues	58	62
Other Non-Regulated Revenues	102	101
Inter-segment Elimination	(125)	(129)
Total Revenue	$ 30,698	$ 31,177

Note 10 – Income Taxes

As part of its 2014 Federal income tax return, the Company adopted the final Internal Revenue Service (IRS) tangible property regulations and changed its accounting method for the tax treatment of expenditures that qualified as deductible repairs. The adoption resulted in a net reduction of $17.6 million in taxes previously remitted to the IRS, for which the Company has already sought and received the tax refunds. A reserve provision against refunded taxes of $2.3 million was recorded in 2015 at the time of filing its change in accounting method based on a possible challenge by the IRS during an audit examination. The Company’s 2014 federal income tax return was subsequently selected for examination by the IRS in 2016. In 2018, the Company received information from the IRS regarding certain aspects of the its adopted accounting method used to calculate qualifying tangible property repair cost deductions and increased its reserve provision to $4.1 million. During the first quarter of 2019, the Company agreed to certain modifications of its accounting method for expenditures that qualify as deductible repairs and the IRS concluded its audit of the Company’s 2014 federal income tax return. The modifications also impacted the Company’s filed 2015, 2016 and 2017 federal income tax returns. The Company paid $0.8 million in income taxes in connection with the conclusion of the 2014 and 2015 tax years. The IRS is currently examining the 2016 and 2017 tax years to determine the impact of the modifications on those tax years. The Company reduced its income tax reserve provision to $3.1 million as of March 31, 2019. Pending completion of the 2016 and 2017 examinations, the final tax liability could be different than the recorded reserve provision. For the three months ended March 31, 2019, the Company reduced its potential interest expense liability to $0.3 million as a result of the closing of the 2014 and 2015 tax years and the revised income tax reserve provision.

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, 2018.

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 retirement benefit 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;
- 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;
- 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 water;
- ability to maintain compliance with all regulatory requirements with respect to water and wastewater treatment, distribution and collection;
- actions taken by government regulators, including decisions on rate increase requests;
- ability to meet new or modified water and wastewater quality standards;
- weather variations and other natural phenomena impacting utility operations;
- financial and operating risks associated with acquisitions and/or privatizations;
- acts of war or terrorism;
- changes in the pace of residential housing development;
- availability and cost of capital resources; and
- other factors discussed elsewhere in this quarterly 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, 2018.

Overview

Middlesex Water Company (Middlesex) has operated as a water utility in New Jersey since 1897, in Delaware through our wholly-owned subsidiary, Tidewater Utilities, Inc. (Tidewater), since 1992 and in Pennsylvania through our wholly-owned subsidiary, Twin Lakes Utilities, Inc. (Twin Lakes), since 2009. We are in the business of collecting, treating and distributing water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate two New Jersey municipal water and wastewater systems under contract and provide regulated wastewater services in New Jersey and Delaware through four of our other subsidiaries. We are regulated as to rates charged to customers for water and wastewater services, as to the quality of water service we provide and as to certain other matters in New Jersey, Delaware and Pennsylvania. Only our 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 utilities.

Our New Jersey water utility system (the Middlesex System) provides water services to approximately 61,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey with a total population of approximately 219,000. Our Bayview subsidiary provides water services in Downe Township, New Jersey. 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 (Southern Shores), provide water services to approximately 47,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Tidewater's subsidiary, White Marsh, services approximately 4,000 customers in Delaware and Maryland through various operations and maintenance contracts.

Our Tidewater Environmental Services, Inc. (TESI) subsidiary provides wastewater services to approximately 3,600 residential retail customers in Sussex Counties, Delaware.

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 responses and management of capital projects funded by Perth Amboy. USA-PA does not manage the billing, collections and customer service functions of 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 2022. In addition to performing day to day operations, USA is responsible for billing, collections, customer service, emergency responses and management of capital projects funded by Avalon. Under a marketing agreement with HomeServe USA (HomeServe), USA offers residential customers in New Jersey and Delaware a menu of water and wastewater related 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.

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

Recent Developments

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 better serve the current and future generations of water and wastewater customers. The Company plans to invest approximately $112 million in 2019 in connection with this plan for projects that include, but are not limited to;

- Construction of a 4.6 mile water transmission pipeline to provide critical resiliency and redundancy to the Company's water transmission system in New Jersey;
- Replacement of four miles of water mains including service lines, valves, fire hydrants and meters in Carteret, New Jersey;
- Enhanced treatment process at the Company's largest water plant in Edison, New Jersey, to mitigate the formation of disinfection by-products that can develop during treatment;
- Construction of a new wastewater treatment plant to serve current and future customers in and around the Town of Milton, Delaware;
- Relocation of water meters from inside customers' premises to exterior meter pits to allow quicker access by crews in emergencies, enhanced customer safety and convenience and reduced unmetered water; and
- Additional standby emergency power generation.

Pinelands Files for Rate Increases - In March 2019, Pinelands Water and Pinelands Wastewater filed separate petitions with the New Jersey Board of Public Utilities (the NJBPU) seeking permission to increase base rates by approximately $0.2 million and $0.5 million per year, respectively. These requests were necessitated by capital infrastructure investments both companies have made, or have committed to make, and increased operations and maintenance costs. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the requests. A decision by the NJBPU in either matter is not expected before the fourth quarter of 2019.

Common Stock Offering - In March 2019, Middlesex filed a petition with the NJBPU seeking approval to issue and sell up to 1,500,000 shares of its common stock in one or more transactions through December 31, 2022. The sale of these additional shares of common stock is part of the Company's comprehensive financing plan to fund its multi-year utility plant infrastructure investment plan. We believe the NJBPU will approve the common stock offering request, as filed, during the second quarter of 2019.

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 (which are evident in comparison discussions in the Results of Operations section below). Revenues in 2019 are expected to be favorably impacted by the full year effect of Middlesex's April 2018 base water rate increase. Weather patterns experienced in 2017 and 2018, which resulted in lower customer demand, may reoccur in 2019. Actuarially-determined non-service retirement benefit plan costs are expected to increase in 2019. As operating costs are anticipated to increase in 2019 in a variety of categories, we continue to implement plans to further streamline operations and further reduce, and mitigate increases in, operating costs. Changes in customer water usage habits, as well as increases in capital expenditures and operating costs, are significant factors in determining the timing and extent of rate increase requests.

Organic residential customer growth for 2019 is expected to be consistent with that experienced in recent years.

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

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

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 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, Southern Shores, TESI and Twin Lakes; Non-Regulated-USA, USA-PA, and White Marsh.

Results of Operations – Three Months Ended March 31, 2019

	(In Thousands) Three Months Ended March 31,					
	2019			2018		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$ 27,874	$ 2,824	$ 30,698	$ 27,178	$ 3,999	$ 31,177
Operations and maintenance expenses	14,417	1,703	16,120	14,708	3,126	17,834
Depreciation expense	3,986	60	4,046	3,564	45	3,609
Other taxes	3,437	67	3,504	3,281	103	3,384
Operating income	6,034	994	7,028	5,625	725	6,350
Other income, net	452	6	458	449	15	464
Interest expense	1,200	—	1,200	1,138	—	1,138
Income taxes	(582)	316	(266)	953	229	1,182
Net income	$ 5,868	$ 684	$ 6,552	$ 3,983	$ 511	$ 4,494

Operating Revenues

Operating revenues for the three months ended March 31, 2019 decreased $0.5 million from the same period in 2018. This decrease was related to the following factors:

- Middlesex System revenues increased $0.8 million due to the following:
  - Effective April 1, 2018, a NJBPU-approved base rate increase resulted in higher revenues of $1.0 million;
  - Lower water usage from general meter service customers of $0.3 million;
  - All other revenue categories increased $0.1 million;
- Tidewater System revenues decreased $0.1 million due to lower water demand offset by additional customers; and
- Non-regulated revenues decreased by $1.2 million primarily due to changes resulting from USA-PA's new 10 year contract with Perth Amboy. Under the new contract, USA-PA is directly responsible for wastewater services, for which USA-PA is compensated. Under the original contract, for wastewater services, USA-PA utilized, and was compensated for, the costs of a sub-contractor (as such, there is corresponding decrease in operations and maintenance expense).

Operation and Maintenance Expense

Operation and maintenance expenses for the three months ended March 31, 2019 decreased $1.7 million from the same period in 2018, primarily related to the following factors:

- Under our new Perth Amboy operating contract, effective January 1, 2019, USA-PA no longer incurs sub-contractor fees for wastewater services, which resulted in a $1.4 million decrease in costs (there is a corresponding decrease in operating revenues);
- Milder winter weather resulted in lower water main break costs of $0.2 million in our Middlesex System;
- Variable production costs decreased $0.2 million due to lower customer demand; and
- All other operation and maintenance expense categories increased $0.1 million.

Depreciation

Depreciation expense for the three months ended March 31, 2019 increased $0.4 million from the same period in 2018 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the three months ended March 31, 2019 increased $0.1 million from the same period in 2018 primarily due to higher revenue related taxes on increased revenues in our Middlesex system.

Other Income, net

Other Income, net for the three months ended March 31, 2019 remained consistent with the same period in 2018 primarily due to higher Allowance for Funds Used During Construction resulting from a higher level of capital projects in progress offset by higher actuarially-determined postretirement benefit plan non-service expense.

Interest Charges

Interest charges for the three months ended March 31, 2019 increased $0.1 million from the same period in 2018 due to higher average short-term debt outstanding at increased interest rates in 2019 as compared to 2018.

Income Taxes

Income taxes for the three months ended March 31, 2019 decreased $1.4 million from the same period in 2018, primarily due to the regulatory accounting treatment of tax benefits associated with the adoption of the tangible property regulations, which was approved in Middlesex's 2018 base rate case decision.

Net Income and Earnings Per Share

Net income for the three months ended March 31, 2019 increased $2.1 million as compared with the same period in 2018. Basic earnings per share were $0.40 and $0.27 for the three months ended March 31, 2019 and 2018, respectively. Diluted earnings per share were $0.39 and $0.27 for the three months ended March 31, 2019 and 2018, respectively.

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 growth. The effect of those factors on net income is discussed in "Results of Operations."

For the three months ended March 31, 2019, cash flows from operating activities decreased $1.3 million to $7.7 million. The decrease in cash flows from operating activities primarily resulted from the timing of payments to vendors. The $7.7 million of net cash flow from operations enabled us to fund approximately 41% of utility plant expenditures internally for the period.

Investing Cash Flows

For the three months ended March 31, 2019, cash flows used in investing activities increased $2.3 million to $12.3 million. The increase in cash flows used in investing activities resulted from increased utility plant expenditures.

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 three months ended March 31, 2019, cash flows from financing activities increased $8.4 million to $5.8 million. The majority of the increase in cash flows provided by financing activities is due to the net increase in short-term and long-term debt funding and increased proceeds from the issuance of common stock under the Middlesex Water Company Investment Plan (the Investment Plan).

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. See below for a more detailed discussion regarding the funding of our capital program.

The capital investment program for 2019 is currently estimated to be approximately $112 million. Through March 31, 2019, we have expended $12 million and expect to incur approximately $100 million for capital projects for the remainder of 2019.

We currently project that we may expend approximately $177 million for capital projects in 2020 and 2021. The actual amount and timing of capital expenditures is dependent on project scheduling and refinement of engineering estimates for certain capital projects.

To pay for our capital program for the remainder of 2019, we plan on utilizing:

- Internally generated funds;
- Proceeds from the Investment Plan. which includes a 5% discount purchase program for 2019 (see discussion under "*Common Stock*" in *Note 3 - Capitalization*);
- Proceeds from the New Jersey and Delaware State Revolving Fund (SRF). SRF programs provide low cost financing for projects that meet certain water quality and system improvement benchmarks (see discussion under "*Long-term Debt*" in *Note 3 - Capitalization*);
- Proceeds from the issuance and sale of First Mortgage Bonds through the New Jersey Economic Development Authority (see discussion under "*Long-term Debt*" in *Note 3 - Capitalization*);
- Proceeds from a common stock offering (see discussion under "*Common Stock Offering*" in *Recent Developments* above); and
- Short-term borrowings, if necessary, through $100.0 million of active lines of credit with several financial institutions. As of March 31, 2019, there remains $51.5 million of available credit under these lines.

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 2019 to 2047. Over the next twelve months, approximately $7.3 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 commodity price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the ability to recover price increases through rates. 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 rates.

The Company's retirement benefit plan assets are exposed 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. Our 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

As required by Rule 13a-15 under the Securities and Exchange Act of 1934 (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. Based upon that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this Report. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

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, 2018.

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

None.

Item 6. Exhibits

31.1	Section 302 Certification by Dennis W. Doll pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
31.2	Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
32.1	Section 906 Certification by Dennis W. Doll 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 A. Bruce O'Connor 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

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/A. Bruce O'Connor
A. Bruce O'Connor
Senior Vice President, Treasurer and
Chief Financial Officer
(Principal Accounting Officer)

Date: May 6, 2019

Exhibit 31.1

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

I, Dennis W. Doll, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Middlesex Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have;

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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

Date: May 6, 2019

Exhibit 31.2

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

I, A. Bruce O'Connor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Middlesex Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have;

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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

Date: May 6, 2019

Exhibit 32.1

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

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

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

Date: May 6, 2019

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.

Exhibit 32.2

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

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

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

Date: May 6, 2019

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.