

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 June 30, 2023

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 July 28, 2023: Common Stock, No Par Value: 17,747,758 shares outstanding.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating Revenues	\$ 42,801	\$ 39,683	\$ 80,957	\$ 75,879
Operating Expenses:				
Operations and Maintenance	21,204	19,557	41,462	38,695
Depreciation	6,184	5,670	12,170	11,292
Other Taxes	4,744	4,368	9,168	8,512
Total Operating Expenses	32,132	29,595	62,800	58,499
Gain on Sale of Subsidiary	—	—	—	5,232
Operating Income	10,669	10,088	18,157	22,612
Other Income:				
Allowance for Funds Used During Construction	852	548	1,665	926
Other Income	1,290	1,396	2,188	2,773
Total Other Income	2,142	1,944	3,853	3,699
Interest Charges	3,251	2,369	5,846	4,219
Income before Income Taxes	9,560	9,663	16,164	22,092
Income Taxes Expense (Benefit)	(341)	795	397	1,124
Net Income	9,901	8,868	15,767	20,968
Preferred Stock Dividend Requirements	30	30	60	60
Earnings Applicable to Common Stock	\$ 9,871	\$ 8,838	\$ 15,707	\$ 20,908
Earnings per share of Common Stock:				
Basic	\$ 0.56	\$ 0.50	\$ 0.89	\$ 1.19
Diluted	\$ 0.55	\$ 0.50	\$ 0.88	\$ 1.18
Average Number of Common Shares Outstanding :				
Basic	17,713	17,583	17,683	17,560
Diluted	17,828	17,698	17,798	17,675

See Notes to Condensed Consolidated Financial Statements.

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

		June 30, 2023	December 31, 2022
ASSETS			
UTILITY PLANT:	Water Production	\$ 287,871	\$ 249,153
	Transmission and Distribution	768,138	735,138
	General	99,587	97,581
	Construction Work in Progress	36,792	53,570
	TOTAL	1,192,388	1,135,442
	Less Accumulated Depreciation	225,281	214,891
	UTILITY PLANT - NET	967,107	920,551
CURRENT ASSETS:			
	Cash and Cash Equivalents	4,377	3,828
	Accounts Receivable, net of allowance for uncollectible accounts of \$1,889 and \$2,326, respectively	15,230	16,018
	Unbilled Revenues	11,067	8,659
	Materials and Supplies (at average cost)	6,426	6,177
	Prepayments	3,470	2,624
	TOTAL CURRENT ASSETS	40,570	37,306
OTHER ASSETS:			
	Operating Lease Right of Use Asset	3,499	3,826
	Preliminary Survey and Investigation Charges	2,270	2,806
	Regulatory Assets	92,772	90,046
	Non-utility Assets - Net	11,449	11,207
	Employee Benefit Plans	9,898	8,689
	Other	21	19
	TOTAL OTHER ASSETS	119,909	116,593
	TOTAL ASSETS	\$ 1,127,586	\$ 1,074,450
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	\$ 239,545	233,054
	Retained Earnings	171,932	167,274
	TOTAL COMMON EQUITY	411,477	400,328
	Preferred Stock	2,084	2,084
	Long-term Debt	350,446	290,280
	TOTAL CAPITALIZATION	764,007	692,692
CURRENT LIABILITIES:	Current Portion of Long-term Debt	17,460	17,462
	Notes Payable	23,500	55,500
	Accounts Payable	28,265	24,847
	Accrued Taxes	10,339	12,162
	Accrued Interest	3,098	2,535
	Unearned Revenues and Advanced Service Fees	1,476	1,365
	Other	3,425	3,988
	TOTAL CURRENT LIABILITIES	87,563	117,859
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)			
OTHER LIABILITIES:	Customer Advances for Construction	21,032	21,382
	Lease Obligations	3,382	3,706
	Accumulated Deferred Income Taxes	85,196	77,783
	Regulatory Liabilities	47,400	46,734
	Other	758	919
	TOTAL OTHER LIABILITIES	157,768	150,524
CONTRIBUTIONS IN AID OF CONSTRUCTION		118,248	113,375
	TOTAL CAPITALIZATION AND LIABILITIES	\$ 1,127,586	\$ 1,074,450

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 15,767	\$ 20,968
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	14,543	13,401
Provision for Deferred Income Taxes and Investment Tax Credits	(2,993)	(3,256)
Equity Portion of Allowance for Funds Used During Construction (AFUDC)	(1,014)	(532)
Cash Surrender Value of Life Insurance	(207)	445
Stock Compensation Expense	1,366	909
Gain on Sale of Subsidiary	—	(5,232)
Changes in Assets and Liabilities:		
Accounts Receivable	788	682
Unbilled Revenues	(2,408)	(3,016)
Materials & Supplies	(249)	(349)
Prepayments	(846)	(1,195)
Accounts Payable	3,418	3,124
Accrued Taxes	843	3,893
Accrued Interest	563	170
Employee Benefit Plans	(975)	(1,310)
Unearned Revenue & Advanced Service Fees	111	165
Other Assets and Liabilities	580	(2,006)
NET CASH PROVIDED BY OPERATING ACTIVITIES	29,287	26,861
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures, Including AFUDC of \$651 in 2023 and \$394 in 2022	(50,635)	(39,343)
Proceeds from Sale of Subsidiary	—	3,122
NET CASH USED IN INVESTING ACTIVITIES	(50,635)	(36,221)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	(2,553)	(2,162)
Proceeds from Issuance of Long-term Debt	62,880	2,287
Net Short-term Bank Borrowings	(32,000)	14,500
Deferred Debt Issuance Expense	(107)	(82)
Proceeds from Issuance of Common Stock	5,745	7,039
Payment of Common Dividends	(11,049)	(10,184)
Payment of Preferred Dividends	(60)	(60)
Construction Advances and Contributions-Net	(959)	(1,191)
NET CASH PROVIDED BY FINANCING ACTIVITIES	21,897	10,147
NET CHANGES IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	549	787
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	3,828	3,533
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$ 4,377	\$ 4,320
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Utility Plant received as Construction Advances and Contributions	\$ 4,219	\$ 4,321
Non-Cash Consideration for Sale of Subsidiary	\$ —	\$ 2,100
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Year for:		
Interest	\$ 5,491	\$ 4,245
Interest Capitalized	\$ 651	\$ 394
Income Taxes	\$ 260	\$ 575

See Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2023	December 31, 2022
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares Outstanding - 2023 - 17,729; 2022 - 17,642	\$ 239,545	\$ 233,054
Retained Earnings	171,932	167,274
TOTAL COMMON EQUITY	\$ 411,477	\$ 400,328
Cumulative Preferred Stock, No Par Value:		
Shares Authorized - 120		
Shares Outstanding - 20		
Convertible:		
Shares Outstanding, \$7.00 Series - 10	\$ 1,005	\$ 1,005
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1	79	79
Shares Outstanding, \$4.75 Series - 10	1,000	1,000
TOTAL PREFERRED STOCK	\$ 2,084	\$ 2,084
Long-term Debt:		
First Mortgage Bonds, 0.00%-5.50%, due 2023-2059	\$ 291,496	\$ 252,269
Amortizing Secured Notes, 3.94%-7.05%, due 2028-2046	63,571	44,918
State Revolving Trust Notes, 2.00%-4.03%, due 2025-2044	11,645	9,200
SUBTOTAL LONG-TERM DEBT	366,712	306,387
Add: Premium on Issuance of Long-term Debt	6,675	6,873
Less: Unamortized Debt Expense	(5,481)	(5,518)
Less: Current Portion of Long-term Debt	(17,460)	(17,462)
TOTAL LONG-TERM DEBT	\$ 350,446	\$ 290,280

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 June 30, 2022							
Balance at April 1, 2022	17,551	\$	225,092	\$	152,790	\$	377,882
Net Income	—		—		8,868		8,868
Dividend Reinvestment & Common Stock Purchase Plan	47		4,134		—		4,134
Restricted Stock Award - Net - Employees	3		(469)		—		(469)
Restricted Stock Award - Board of Directors	3		280		—		280
Cash Dividends on Common Stock (\$0.2900 per share)	—		—		(5,097)		(5,097)
Cash Dividends on Preferred Stock	—		—		(30)		(30)
Balance at June 30, 2022	17,604	\$	229,037	\$	156,531	\$	385,568
For the Six Months Ended June 30, 2022							
Balance at January 1, 2022	17,522	\$	221,919	\$	145,807	\$	367,726
Net Income	—		—		20,968		20,968
Dividend Reinvestment & Common Stock Purchase Plan	76		7,039		—		7,039
Restricted Stock Award - Net - Employees	3		(201)		—		(201)
Restricted Stock Award - Board of Directors	3		280		—		280
Cash Dividends on Common Stock (\$0.5800 per share)	—		—		(10,184)		(10,184)
Cash Dividends on Preferred Stock	—		—		(60)		(60)
Balance at June 30, 2022	17,604	\$	229,037	\$	156,531	\$	385,568
For the Three Months Ended June 30, 2023							
Balance at April 1, 2023	17,671	\$	235,756	\$	167,599	\$	403,355
Net Income	—		—		9,901		9,901
Dividend Reinvestment & Common Stock Purchase 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
For the Six Months Ended June 30, 2023							
Balance at January 1, 2023	17,642	\$	233,054	\$	167,274	\$	400,328
Net Income	—		—		15,767		15,767
Dividend Reinvestment & Common Stock Purchase Plan	75		5,745		—		5,745
Restricted Stock Award - Net - Employees	7		386		—		386
Restricted Stock Award - Board of Directors	5		360		—		360
Cash Dividends on Common Stock (\$0.6250 per share)	—		—		(11,049)		(11,049)
Cash Dividends on Preferred Stock	—		—		(60)		(60)
Balance at June 30, 2023	17,729	\$	239,545	\$	171,932	\$	411,477

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), 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 2022 Annual Report on Form 10-K (the 2022 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 June 30, 2023, the results of operations for the three and six month periods ended June 30, 2023 and 2022 and cash flows for the six month periods ended June 30, 2023 and 2022. Information included in the Condensed Consolidated Balance Sheet as of December 31, 2022, has been derived from the Company's December 31, 2022 audited financial statements included in the 2022 Form 10-K.

Recent Developments

Middlesex President and Chief Executive Officer Retirement Announcement - On May 16, 2023, President and Chief Executive Officer, Dennis W. Doll announced a plan to retire upon turning age 65. Mr. Doll's retirement is planned for the later of December 31, 2023 or, the date when a successor is duly named and effectively transitioned into the position. Mr. Doll will remain a member of the Middlesex Board of Directors (Board) through the expiration of his current term in May 2024. A search for Mr. Doll's successor is being led by the Compensation Committee of the Board in collaboration with a nationally-recognized executive search firm.

Regulatory Notice of Non-Compliance – In September 2021, the New Jersey Department of Environmental Protection (NJDEP) issued a Notice of Non-Compliance (Notice) to Middlesex based on self-reporting by Middlesex that the level of Perfluorooctanoic Acid (PFOA) in water treated at its Park Avenue Wellfield Treatment Plant in South Plainfield, New Jersey exceeded a standard promulgated in a NJDEP regulation that became effective in 2021. The NJDEP standard for PFOA was developed based on a Health-based Maximum Contaminant Level of 14 parts per trillion. Neither the NJDEP nor Middlesex had characterized this exceedance as an acute health threat. However, Middlesex was required by the regulation to notify its affected customers and complied in November 2021.

The Notice further required the Company to take any action necessary to comply with the new standard by September 7, 2022. Prior to 2021, the Company began design for construction of an enhanced treatment process at the Park Avenue Wellfield Treatment Plant to comply with the new standard prior to the regulation being enacted. At that time, the completion of enhanced treatment process was not expected until mid-2023. Consequently, in November 2021, the Company implemented an interim solution to meet the Notice requirements, which included putting the Park Avenue Wellfield Treatment Plant in off-line status and obtaining alternate sources of supply. In June 2022, the Company accelerated the in-service date for a portion of the enhanced treatment project that allowed a restart of the Park Avenue Wellfield Treatment Plant to ensure compliance with all state and federal drinking water standards.

On September 13, 2022, the Company entered into an Administrative Consent Order (ACO) with the NJDEP, which requires the Company to take whatever actions necessary to achieve and maintain compliance with the Safe Drinking Water Act, N.J.S.A. 58:12A-1 et seq., and the Safe Drinking Water Act regulations N.J.A.C. 7:10-1 et seq., including applicable public notifications. The Company's agreement to enter into an ACO avoided any further Notice regarding the fact that the permanent treatment solution was not in service by September 7, 2022. As prescribed in the ACO, the Company will issue periodic public notifications until the ACO is closed. In addition, in accordance with the ACO:

- On or before June 30, 2023, the Company was required to complete the permanent construction of the Park Avenue Wellfield treatment upgrades, place the treatment upgrades into operation, and treat all water at the Park Avenue Wellfield Treatment Plant so as to comply with the PFOA NJDEP standards.
- The Company must perform required sample testing and reporting for PFOA subsequent to completion of the Park Avenue Wellfield treatment upgrades.
- The Company shall submit to the NJDEP quarterly progress reports detailing the Company's compliance with the ACO.

In June 2023, the Company completed the permanent construction of the Park Avenue Wellfield treatment upgrades, placed the treatment upgrades into operation, and the Company believes all water at the Park Avenue Wellfield Treatment Plant complies with the NJDEP PFOA standards. The Company believes it has complied with all current requirements of the ACO and is awaiting the NJDEP's confirmation.

In November 2021, the Company was served with two PFOA-related class action lawsuits seeking restitution for medical, water replacement and other claimed related costs. These lawsuits are in the early stages of the legal process and their ultimate resolution cannot be predicted at this time. The Company's insurance provider has acknowledged coverage of potential liability which may result from these lawsuits. In May 2022, the Company impleaded 3M Company (3M) as a third-party defendant in one of these class action lawsuits. The Company had previously initiated a separate lawsuit against the claimed polluter, 3M, seeking to hold 3M accountable for the Company's claim that 3M introduced perfluoroalkyl substances (commonly known as "PFAS"), which include PFOA, into the Company's water supply at its Park Avenue Wellfield facility. A trial date is set for October 2, 2023 in the United States District Court for the District of New Jersey in Newark, New Jersey.

In January 2022, the Company filed a petition with the New Jersey Board of Public Utilities (NJBPU) seeking to establish a regulatory asset and deferred accounting treatment until its next base rate setting proceeding for all costs associated with the interim solution to comply with the Notice. The Company is currently awaiting a decision on this matter from the NJBPU.

Coronavirus (COVID-19) Pandemic – On May 11, 2023, the United States Department of Health and Human Services declared the end of the COVID-19 Pandemic nationwide health emergency. While the Company's operations and capital construction program have not been materially disrupted to date from the pandemic, the COVID-19 impact on economic conditions nationally continues to be uncertain and could affect the Company's results of operations, financial condition and liquidity in the future. In New Jersey, the declared COVID-19 State of Emergency ended in March 2022. In Delaware, the declared COVID-19 State of Emergency Order ended in July 2021.

The NJBPU has approved the tracking of COVID-19 related incremental costs for potential recovery in customer rates in future rate proceedings. In May 2023, Middlesex filed a petition to defer consideration of rate recovery of COVID-19 related incremental costs incurred until its next base rate case. The Company has increased its allowance for doubtful accounts for expected higher accounts receivable write-offs due to the financial impact of COVID-19 on customers. We will continue to monitor the effects of COVID-19 and evaluate its impact on the Company's results of operations, financial condition and liquidity.

Recent Accounting Guidance

There is no 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 May 2023, Middlesex filed a petition with the NJBPU seeking permission to increase annual base water revenues by approximately \$34 million. The request was necessitated predominantly by capital infrastructure investments Middlesex has made, or has committed to make, to ensure proper maintenance, development and improvement of its utility assets to support continued regulatory compliance and overall quality of service. We cannot predict when and whether the NJBPU will ultimately approve, deny, or reduce the amount of the request. Under New Jersey statute, the NJBPU must render a decision within nine months of filing a base rate change petition.

Replacement of Middlesex and Middlesex customer-owned lead service lines is required by the New Jersey Lead Service Line Replacement Law. In May 2023, Middlesex filed a petition seeking NJBPU approval of Middlesex's proposed cost recovery of its Lead Service Line Replacement Plan and cost recovery of project costs associated with replacing Middlesex customer-owned lead service lines. Under this legislation, these costs would be recovered through future customer surcharges. Middlesex currently estimates that replacement of Middlesex and Middlesex customer-owned lead service lines will be approximately \$57 million to \$95 million over a nine-year period. We cannot predict when and whether the NJBPU will ultimately approve, deny, or amend this petition.

In May 2023, Middlesex filed a petition with the NJBPU seeking approval of a Distribution System Improvement Charge (DSIC) Foundation Filing, which is a prerequisite to implementing a DSIC rate that allows water utilities to recover investments in, and generate a return on, qualifying capital improvements to their water distribution system made between base rate proceedings. We cannot predict when and whether the NJBPU will ultimately approve, deny, or amend this petition.

In September 2022, the NJBPU approved Middlesex's Emergency Relief Motion to reset its Purchased Water Adjustment Clause tariff rate to recover additional costs of \$2.7 million for the purchase of treated water from a non-affiliated water utility. The increase, effective October 1, 2022, is on an interim basis and subject to refund with interest, pending final resolution of this matter, which is expected in the third quarter of 2023.

Pinelands – On April 12, 2023, Pinelands Water and Pinelands Wastewater concluded their base rate case matters when the NJBPU approved a combined \$1.0 million increase in annual base rates, effective April 15, 2023. The requests were necessitated by capital infrastructure investments the companies have made as well as increased operations and maintenance costs.

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 has subsequently filed a Complaint with the United States District Court for the Middle District of Pennsylvania to address the issue of whether the PAPUC's Order violated Middlesex's rights under the United States Constitution. We are currently awaiting the Court's decision.

The financial results, total assets and financial obligations of Twin Lakes are not material to Middlesex.

Note 3 – Capitalization

Common Stock – During the six months ended June 30, 2023 and 2022, there were 75,764 common shares (approximately \$5.7 million) and 76,547 common shares (approximately \$7.0 million) respectively, issued under the Middlesex Water Company Investment Plan (the Investment Plan).

In April 2023, Middlesex 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 March 2023, the Company began offering shares of its common stock for purchase at a 3% discount to participants in the Investment Plan. The discount offering will continue until 200,000 shares are purchased at the discounted price or December 1, 2023, 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 May 2023, Middlesex received approval from the NJBPU to increase the number of authorized shares under the Investment Plan by 0.7 million shares.

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.

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.

Although the Company has no current projects in the NJIB loan program, it is seeking to have several projects added to the qualified list in order to borrow under the NJIB loan program.

In April 2023, Middlesex 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.

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In March 2023, Middlesex closed on a \$40.0 million, 5.24% private placement of First Mortgage Bonds (FMBs) with a 2043 maturity date designated as Series 2023A. Proceeds were used to reduce the Company's outstanding balances under its bank lines of credit.

In May 2023, Tidewater closed on a \$20.0 million loan from CoBank, ACB (CoBank) with an interest rate of 5.71% and a 2033 maturity date and fully drew all funds by June 30, 2023. Proceeds from the loan were used to pay off Tidewater's outstanding balances under its bank lines of credit and for other general corporate purposes.

In April 2023, Tidewater closed on three Delaware Public Service Commission (DEPSC)-approved Delaware SRF loans totaling \$10.2 million, all at interest rates of 2.0% with maturity dates in 2043 and 2044. These loans are for the construction, relocation, improvement, relocation and/or interconnection of transmission mains. Tidewater has drawn a total of \$1.3 million through June 30, 2023 and expects that the requisitions will continue through mid-2024.

In December 2021, Tidewater closed on a DEPSC-approved \$5.0 million Delaware SRF loan at an interest rate of 2.0%. The loan was for construction of a one million gallon elevated storage tank. Through June 30, 2023, Tidewater has drawn a total of \$4.2 million and expects that the requisitions will continue through the third quarter of 2023. The final maturity date on the loan is 2044.

Under the Delaware SRF Program, borrowers submit reimbursement requisitions during the construction period. As the proceeds are received from the requisitions, Tidewater records a corresponding debt obligation amount.

In July 2023, Pinelands Water and Pinelands Wastewater closed on \$3.9 million and \$3.6 million CoBank amortizing mortgage type loans, respectively, with an interest rate of 6.17% and a final maturity date of 2043 for each loan. Proceeds were used to pay off outstanding intercompany loans with Middlesex and for ongoing capital projects.

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 FMBs in the table below issued by Middlesex is based on quoted market prices for similar publicly traded 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)			
	June 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FMBs	\$ 146,496	\$ 141,748	\$ 147,269	\$ 138,756

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 \$220.2 million and \$159.1 million at June 30, 2023 and December 31, 2022, respectively. Customer advances for construction have carrying amounts of \$21.0 million and \$21.4 million at June 30, 2023 and December 31, 2022, 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.

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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)			
	2023		2022	
	Income	Shares	Income	Shares
Basic:				
Net Income	\$ 9,901	17,713	\$ 8,868	17,583
Preferred Dividend	(30)		(30)	
Earnings Applicable to Common Stock	\$ 9,871	17,713	\$ 8,838	17,583
Basic EPS	\$ 0.56		\$ 0.50	
Diluted:				
Earnings Applicable to Common Stock	\$ 9,871	17,713	\$ 8,838	17,583
\$7.00 Series Preferred Dividend	17	115	17	115
Adjusted Earnings Applicable to Common Stock	\$ 9,888	17,828	\$ 8,855	17,698
Diluted EPS	\$ 0.55		\$ 0.50	

	(In Thousands Except per Share Amounts)			
	2023		2022	
	Income	Shares	Income	Shares
Basic:				
Net Income	\$ 15,767	17,683	\$ 20,968	17,560
Preferred Dividend	(60)		(60)	
Earnings Applicable to Common Stock	\$ 15,707	17,683	\$ 20,908	17,560
Basic EPS	\$ 0.89		\$ 1.19	
Diluted:				
Earnings Applicable to Common Stock	\$ 15,707	17,683	\$ 20,908	17,560
\$7.00 Series Preferred Dividend	34	115	34	115
Adjusted Earnings Applicable to Common Stock	\$ 15,741	17,798	\$ 20,942	17,675
Diluted EPS	\$ 0.88		\$ 1.18	

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.

Operations by Segments:	(In Thousands)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Revenues:				
Regulated	\$ 39,909	\$ 37,037	\$ 74,862	\$ 70,361
Non – Regulated	3,056	2,875	6,398	5,885
Inter-segment Elimination	(164)	(229)	(303)	(367)
Consolidated Revenues	\$ 42,801	\$ 39,683	\$ 80,957	\$ 75,879
Operating Income:				
Regulated	\$ 9,820	\$ 9,336	\$ 16,535	\$ 21,043
Non – Regulated	849	752	1,622	1,569
Consolidated Operating Income	\$ 10,669	\$ 10,088	\$ 18,157	\$ 22,612
Net Income:				
Regulated	\$ 9,307	\$ 8,314	\$ 14,631	\$ 19,814
Non – Regulated	594	554	1,136	1,154
Consolidated Net Income	\$ 9,901	\$ 8,868	\$ 15,767	\$ 20,968
Capital Expenditures:				
Regulated	\$ 26,114	\$ 22,549	\$ 50,579	\$ 39,134
Non – Regulated	6	163	56	209
Total Capital Expenditures	\$ 26,120	\$ 22,712	\$ 50,635	\$ 39,343
Assets:				
	As of	As of		
	June 30, 2023	December 31, 2022		
Regulated	\$ 1,126,436	\$ 1,079,180		
Non – Regulated	7,677	6,999		
Inter-segment Elimination	(6,527)	(11,729)		
Consolidated Assets	\$ 1,127,586	\$ 1,074,450		

Note 6 – Short-term Borrowings

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

	(Millions)				Credit Type	Renewal Date
	As of June 30, 2023					
	Outstanding	Available	Maximum			
Bank of America	\$ 5.0	\$ 55.0	\$ 60.0	Uncommitted	January 25, 2024	
PNC Bank	18.5	\$ 49.5	68.0	Committed	July 31, 2025	
CoBank	—	12.0	12.0	Committed	November 30, 2023	
	<u>\$ 23.5</u>	<u>\$ 116.5</u>	<u>\$ 140.0</u>			

The interest rates are set for borrowings under the Bank of America and PNC Bank lines of credit using the Bloomberg Short-Term Bank Yield Index and the Secured Overnight Financing Rate (SOFR), respectively, and then adding a specific financial institution credit spread. The interest rate for borrowings under the 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 weighted average interest rate on the outstanding borrowings at June 30, 2023 under these credit lines is 6.24%.

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		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Average Daily Amounts Outstanding	\$ 24,220	\$ 20,527	\$ 36,848	\$ 17,006
Weighted Average Interest Rates	6.09%	1.88%	5.75%	1.58%

The maturity dates for the \$23.5 million outstanding as of June 30, 2023 are in July 2023 through September 2023 and were or are expected to be extended at the discretion of the Company.

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 million gallons a day (mgd). The agreement renewal process is underway and a new agreement is expected to be in place prior to the expiration date of the existing agreement. Middlesex does not expect the agreement terms and conditions to vary. 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 has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement, which expires February 27, 2026, provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

Tidewater contracts with the City of Dover, Delaware to purchase 15 million gallons of treated water annually.

Purchased water costs are shown below:

	(In Thousands)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Treated	\$ 1,363	\$ 785	\$ 2,747	\$ 1,531
Untreated	739	739	1,540	1,550
Total Costs	\$ 2,102	\$ 1,524	\$ 4,287	\$ 3,081

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 June 30, 2023 and 2022, respectively, and \$0.4 million for each at this six months ended June 30, 2023 and 2022, respectively.

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

	(In Millions)	
	As of	
	June 30, 2023	December 31, 2022
ROU Asset at Lease Inception	\$ 7.3	\$ 7.3
Accumulated Amortization	(3.8)	(3.5)
Current ROU Asset	\$ 3.5	\$ 3.8

The Company's future minimum operating lease commitments as of June 30, 2023 are as follows:

	(In Millions)	
	2023	0.4
	2024	0.8
	2025	0.8
	2026	0.9
	2027	0.9
	Thereafter	1.8
	Total Lease Payments	\$ 5.6
	Imputed Interest	(1.6)
	Present Value of Lease Payments	4.0
	Less Current Portion*	(0.6)
	Non-Current Lease Liability	\$ 3.4

*Included in Other Current Liabilities

Construction – The Company has forecasted to spend approximately \$101 million for its construction program in 2023. The Company has entered into several construction contracts that, in the aggregate, obligate expenditure of an estimated \$13 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 upward pressure on 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. These lawsuits are in the early stages of the legal process and their ultimate resolution cannot be predicted at this time. The Company's insurance provider has acknowledged coverage of potential liability resulting from these lawsuits (for further discussion of this matter, see *Note 1 - Regulatory Notice of Non-Compliance*).

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 each of the six month periods ended June 30, 2023 and 2022, the Company did not make cash contributions to the Pension Plan. The Company expects to make cash contributions of approximately \$1.9 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 \$0.5 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 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 six month periods ended June 30, 2023 and 2022, 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	
	2023	Three Months Ended June 30,		2022
	2023	2022	2023	2022
Service Cost	\$ 388	\$ 591	\$ 98	\$ 200
Interest Cost	1,067	761	402	331
Expected Return on Assets	(1,466)	(1,760)	(771)	(887)
Amortization of Unrecognized Losses	164	418	(48)	—
Net Periodic Benefit Cost (Benefit)*	\$ 153	\$ 10	\$ (319)	\$ (356)

	(In Thousands)			
	Pension Benefits		Other Benefits	
	2023	Six Months Ended June 30,		2022
	2023	2022	2023	2022
Service Cost	\$ 776	\$ 1,181	\$ 196	\$ 399
Interest Cost	2,134	1,521	804	663
Expected Return on Assets	(2,932)	(3,520)	(1,542)	(1,773)
Amortization of Unrecognized Losses	328	837	(96)	—
Net Periodic Benefit Cost (Benefit)*	\$ 306	\$ 19	\$ (638)	\$ (711)

*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.

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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 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Regulated Tariff Sales				
Residential	\$ 22,653	\$ 21,508	\$ 41,657	\$ 40,659
Commercial	6,249	5,203	11,627	9,630
Industrial	2,806	2,700	5,645	5,295
Fire Protection	3,145	3,173	6,249	6,294
Wholesale	4,968	4,297	9,521	8,260
Non-Regulated Contract Operations	2,942	2,765	6,172	5,665
Total Revenue from Contracts with Customers	\$ 42,763	\$ 39,646	\$ 80,871	\$ 75,803
Other Regulated Revenues	88	156	163	223
Other Non-Regulated Revenues	114	110	226	220
Inter-segment Elimination	(164)	(229)	(303)	(367)
Total Revenue	\$ 42,801	\$ 39,683	\$ 80,957	\$ 75,879

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, 2022.

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 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;
- impact of the Novel Coronavirus (COVID-19) pandemic; 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, 2022.

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 61,000 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 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, provide water services to approximately 56,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Tidewater's subsidiary, White Marsh, services approximately 4,500 customers 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 Water Rate Increase Request - In May 2023, Middlesex filed a petition with the New Jersey Board of Public Utilities (NJBP) seeking permission to increase annual base water revenues by approximately \$34 million. The request was necessitated predominantly by capital infrastructure investments Middlesex has made, or has committed to make, to ensure proper maintenance, development and improvement of its utility assets to support continued regulatory compliance and overall quality of service. We cannot predict when and whether the NJBP will ultimately approve, deny, or reduce the amount of the request. Under New Jersey statute, the NJBP must render a decision within nine months of filing a base rate change petition.

Middlesex President and Chief Executive Officer Retirement Announcement – In May 2023, President and Chief Executive Officer (CEO), Dennis W. Doll announced a plan to retire upon turning age 65. Mr. Doll's retirement is planned for the later of December 31, 2023 or, the date when a successor is duly named and effectively transitioned into the position. Mr. Doll will remain a member of the Middlesex Board of Directors (Board) through the expiration of his current term in May 2024. A search for Mr. Doll's successor is being led by the Compensation Committee of the Board in collaboration with a nationally-recognized executive search firm.

Pinelands' Base Rate Increases Approved - On April 12, 2023, Pinelands Water and Pinelands Wastewater concluded their base rate case matters when the NJBP approved a combined \$1.0 million increase in annual base rates, effective April 15, 2023. The requests were necessitated by capital infrastructure investments the companies have made as well as increased operations and maintenance costs.

Financings

Middlesex - In April 2023, Middlesex received approval from the NJBP to issue and sell up to 1.0 million shares of its common stock, without par value, through December 31, 2025. Additionally, in April 2023, Middlesex received approval from the NJBP 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 equity and debt securities in a series of transaction offerings over a multi-year period to help fund Middlesex's multi-year capital construction program.

In March 2023, Middlesex closed on a \$40.0 million, 5.24% private placement of First Mortgage Bonds (FMBs) with a 2043 maturity date designated as Series 2023A. Proceeds were used to reduce the Company's outstanding balances under its bank lines of credit.

In May 2023, Middlesex received approval from the NJBP to increase the number of authorized shares under the Investment Plan by 0.7 million shares.

Tidewater - In April 2023, Tidewater closed on three Delaware Public Service Commission (DEPSC)-approved SRF loans totaling \$10.2 million, all at interest rates of 2.0% with maturity dates in 2043 and 2044. These loans are for the construction, relocation, improvement, relocation and/or interconnection of transmission mains. Tidewater has drawn a total of \$1.3 million through June 30, 2023 and expects that the requisitions will continue through mid-2024.

In May 2023, Tidewater closed on a \$20.0 million loan from CoBank, ACB (CoBank) with an interest rate of 5.71% and a 2033 maturity date. Proceeds from the loan were used to pay off Tidewater's outstanding balances under its bank lines of credit and for other general corporate purposes.

Pinelands - In July 2023, Pinelands Water and Pinelands Wastewater closed on \$3.9 million and \$3.6 million CoBank amortizing mortgage type loans, respectively, with an interest rate of 6.17% and a final maturity date of 2043 for each loan. Proceeds from the loans were used to pay off outstanding intercompany loans with Middlesex and for ongoing capital projects.

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 Company plans to invest approximately \$50 million in second half of 2023 in connection with projects that include, but are not limited to:

- Completion of construction of a facility to provide an enhanced treatment process at the Company's largest wellfield located in South Plainfield, New Jersey to comply with new state water quality regulations related to perfluoroalkyl substances (PFAS), and integrate surge protection to mitigate spikes in water pressures along with enhancements to corrosion control and chlorination processes;
- Replacement of approximately 24,000 linear feet of cast iron 6" water main in the Borough of Carteret and the Port Reading section of Woodbridge, New Jersey;
- Replacement of Company and customer owned lead and galvanized steel service lines;
- Interconnecting Tidewater's Angola and Meadows Districts which will provide redundant capacity and storage for both districts; 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.

Regulatory Notice of Non-Compliance – In September 2021, the New Jersey Department of Environmental Protection (NJDEP) issued a Notice of Non-Compliance (Notice) to Middlesex based on self-reporting by Middlesex that the level of Perfluorooctanoic Acid (PFOA) in water treated at its Park Avenue Wellfield Treatment Plant in South Plainfield, New Jersey exceeded a standard promulgated in a NJDEP regulation that became effective in 2021.

Prior to 2021, the Company began design for construction of an enhanced treatment process at the Park Avenue Wellfield Treatment Plant to comply with the new standard prior to the regulation being enacted. At that time, the completion of enhanced treatment process was not expected until mid-2023. Consequently, in November 2021, the Company implemented an interim solution to meet the Notice requirements.

In June 2022, the Company accelerated the in-service date for a portion of the enhanced treatment project that allowed a restart of the Park Avenue Wellfield Treatment Plant to ensure compliance with all state and federal drinking water standards.

In September 2022, the Company entered into an Administrative Consent Order (ACO) with the NJDEP with respect to the Notice, which voided any further notice regarding the fact that the permanent treatment solution was not in service by September 7, 2022 as required by the Notice.

In June 2023, the Company completed the permanent construction of the Park Avenue Wellfield treatment upgrades, placed the treatment upgrades into operation, and the Company believes all water at the Park Avenue Wellfield Treatment Plant complies with the NJDEP PFOA standards. The Company believes it has complied with all current requirements of the ACO and is awaiting the NJDEP's confirmation.

In November 2021, the Company was served with two PFOA-related class action lawsuits seeking restitution for medical, water replacement and other claimed related costs. These lawsuits are in the early stages of the legal process and their ultimate resolution cannot be predicted at this time. The Company's insurance provider has acknowledged coverage of potential liability which may result from these lawsuits. In May 2022, the Company impleaded 3M Company (3M) as a third-party defendant in one of these class action lawsuits. The Company had also initiated a separate lawsuit against the claimed polluter, 3M, seeking to hold 3M accountable for the Company's claim that 3M introduced PFAS, which include PFOA, into the Company's water supply at its Park Avenue Wellfield facility. A trial date is set for October 2, 2023 in the United States District Court for the District of New Jersey in Newark, New Jersey.

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.

Our investments in system infrastructure continue to grow significantly and our operating costs continue to increase in 2023 in a variety of categories. These factors led Middlesex to file for a base rate increase in May 2023. Tidewater has not yet determined the need to file for a base rate increase but continues to monitor its requirements for a rate filing in 2023.

Overall, organic residential customer growth continues in our Tidewater system but is impacted by the current and evolving macroeconomic market conditions relative to residential housing. Builders and developers in our Delaware service territory are experiencing longer home sales closing cycles due to supply chain constraints, which may be further affected by inflationary trends and the federal government's ongoing efforts to mitigate inflation through increases in interest rates.

The Company has projected to spend approximately \$268 million for the 2023-2025 capital investment program, including approximately \$22 million for PFAS-related treatment upgrades, \$18 million for Lead and Copper Rule compliance in the Middlesex System, \$34 million on the RENEW Program, which is our ongoing initiative to replace water mains in the Middlesex System and \$8 million for construction of elevated storage tanks in our Tidewater and Middlesex Systems.

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.

The calendar year 2023 is a period of significant transition for the Company based on the items noted above and elsewhere in this document, including the transition of the CEO and other elements of the Company's succession plan, various rate case and other regulatory proceedings and various construction and financing initiatives. The timing and extent of these matters, both individually and collectively, may impact financial results in 2023. No such items however, are expected to have a material adverse effect on revenues or earnings.

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 June 30, 2023

	(In Thousands)					
	Three Months Ended June 30,					
	2023			2022		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	\$ 39,859	\$ 2,942	\$ 42,801	\$ 36,918	\$ 2,765	\$ 39,683
Operations and maintenance expenses	19,243	1,961	21,204	17,667	1,890	19,557
Depreciation expense	6,119	65	6,184	5,608	62	5,670
Other taxes	4,677	67	4,744	4,307	61	4,368
Operating income	9,820	849	10,669	9,336	752	10,088
Other income, net	2,102	40	2,142	1,878	66	1,944
Interest expense (benefit)	3,251	—	3,251	2,370	(1)	2,369
Income taxes expense (benefit)	(636)	295	(341)	530	265	795
Net income	\$ 9,307	\$ 594	\$ 9,901	\$ 8,314	\$ 554	\$ 8,868

Operating Revenues

Operating revenues for the three months ended June 30, 2023 increased \$3.1 million from the same period in 2022 due to the following factors:

- Middlesex System revenues increased \$2.8 million due to the implementation of the final phase of the 2021 base rate case increase on January 1, 2023 and higher contract customer demand;
- Tidewater System revenues remained consistent due to higher demand and an increased customer base offset by lower new connection fees and lower revenue from a 2022 DEPSC-ordered rate deduction;
- Pinelands revenues increased \$0.1 million due to the implementation of a base rate increase effective April 15, 2023; and
- Non-regulated revenues increased \$0.2 million primarily due to higher supplemental contract services.

Operation and Maintenance Expense

Operation and maintenance expenses for the three months ended June 30, 2023 increased \$1.6 million from the same period in 2022 due to the following factors:

- Higher demand for water and changes in water quality in our Middlesex system resulted in \$1.1 million of increased variable production costs;
- Labor costs rose by \$0.4 million due to annual rate increases;
- Non-regulated operation and maintenance expense increased \$0.2 million, primarily due to higher supplemental contract services;
- Lower weather-related main break activity in our Middlesex system resulting from milder weather during the winter months resulted in \$0.2 million of decreased non-labor costs; and
- All other operation and maintenance expense categories increased \$0.1 million.

Depreciation

Depreciation expense for the three months ended June 30, 2023 increased \$0.5 million from the same period in 2022 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the three months ended June 30, 2023 increased \$0.4 million from the same period in 2022 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 June 30, 2023 increased \$0.2 million from the same period in 2022 due primarily to higher Allowance for Funds Used During Construction resulting from a higher level of capital projects in progress.

Interest Charges

Interest charges for the three months ended June 30, 2023 increased \$0.9 million from the same period in 2022 due to higher average debt outstanding and an increase in average borrowing rates.

Income Taxes

Income taxes for the three months ended June 30, 2023 decreased by \$1.1 million from the same period in 2022, primarily associated with greater income tax benefits associated with increased repair expenditures on tangible property in the Middlesex system and lower pre-tax income.

Net Income and Earnings Per Share

Net income for the three months ended June 30, 2023 increased \$1.0 million as compared with the same period in 2022. Basic earnings per share were \$0.56 and \$0.50 for the three months ended June 30, 2023 and 2022, respectively. Diluted earnings per share were \$0.55 and \$0.50 for the three months ended June 30, 2023 and 2022, respectively.

Results of Operations – Six Months Ended June 30, 2023

	(In Thousands)					
	Six Months Ended June 30,					
	2023			2022		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	\$ 74,785	\$ 6,172	\$ 80,957	\$ 70,214	\$ 5,665	\$ 75,879
Operations and maintenance expenses	37,173	4,289	41,462	34,845	3,850	38,695
Depreciation expense	12,039	131	12,170	11,171	121	11,292
Other taxes	9,038	130	9,168	8,387	125	8,512
Gain on Sale of Subsidiary	—	—	—	5,232	—	5,232
Operating income	16,535	1,622	18,157	21,043	1,569	22,612
Other income, net	3,770	83	3,853	3,565	134	3,699
Interest expense (benefit)	5,846	—	5,846	4,220	(1)	4,219
Income taxes expense (benefit)	(172)	569	397	574	550	1,124
Net income	\$ 14,631	\$ 1,136	\$ 15,767	\$ 19,814	\$ 1,154	\$ 20,968

Operating Revenues

Operating revenues for the six months ended June 30, 2023 increased \$5.1 million from the same period in 2022 due to the following factors:

- Middlesex System revenues increased \$5.0 million due to the implementation of the final phase of the 2021 base rate case increase on January 1, 2023 and higher contract customer demand;

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- Tidewater System revenues decreased \$0.5 million due to lower new connection fees and lower revenue from a 2022 DEPSC-ordered rate deduction partially offset by higher demand and an increased customer base;
- Non-regulated revenues increased \$0.5 million due to higher supplemental contract services; and
- Pinelands revenue increased \$0.1 million due to the implementation of a base rate increase effective April 15, 2023.

Operation and Maintenance Expense

Operation and maintenance expenses for the six months ended June 30, 2023 increased \$2.8 million from the same period in 2022 due to the following factors:

- Higher demand for water resulted in \$2.0 million of increased variable production costs;
- Labor costs also increased by \$0.6 million due to wage increases;
- Non-regulated operation and maintenance expense increased \$0.4 million, primarily due to higher supplemental contract services;
- Lower weather-related main break activity in our Middlesex system during the winter months resulted in \$0.7 million of decreased non-labor costs; and
- All other operation and maintenance expense categories increased \$0.5 million.

Depreciation

Depreciation expense for the six months ended June 30, 2023 increased \$0.9 million from the same period in 2022 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the six months ended June 30, 2023 increased \$0.7 million from the same period in 2022 primarily due to higher revenue related taxes on increased revenues in our Middlesex system.

Gain on Sale of Subsidiary

Middlesex recognized a \$5.2 million gain on the sale of its regulated Delaware wastewater subsidiary in January 2022.

Other Income, net

Other Income, net for the six months ended June 30, 2023 increased \$0.2 million from the same period in 2022 primarily due to higher AFUDC resulting from a higher level of capital projects in progress offset by lower actuarially-determined retirement benefit plans non-service benefit.

Interest Charges

Interest charges for the six months ended June 30, 2023 increased \$1.6 million from the same period in 2022 due to higher average debt outstanding and an increase in average borrowing rates.

Income Taxes

Income taxes for the six months ended June 30, 2023 decreased by \$0.7 million from the same period in 2022, primarily due to greater income tax benefits associated with increased repair expenditures on tangible property in the Middlesex system and lower pretax income due to gain on the sale of a subsidiary in 2022.

Net Income and Earnings Per Share

Net income for the six months ended June 30, 2023 decreased \$5.2 million as compared with the same period in 2022. Basic earnings per share were \$0.89 and \$1.19 for the six months ended June 30, 2023 and 2022, respectively. Diluted earnings per share were \$0.88 and \$1.18 for the six months ended June 30, 2023 and 2022, 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 customer growth. The effect of those factors on net income is discussed in “Results of Operations.”

Operating Cash Flows

For the six months ended June 30, 2023, cash flows from operating activities increased \$2.4 million to \$29.3 million. The increase in cash flows from operating activities primarily resulted from higher billings from the implementation of the final phase of the 2021 base rate case increase on January 1, 2023.

Investing Cash Flows

For the six months ended June 30, 2023, cash flows used in investing activities increased \$14.4 million to \$50.6 million due to increased utility plant expenditures in 2023 and cash received in January 2022 from the sale of Middlesex’s regulated wastewater subsidiary.

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 six months ended June 30, 2023, cash flows from financing activities increased \$11.8 million to \$21.9 million. The increase in cash flows provided by financing activities is due to an increase in net borrowings.

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 2023 is currently estimated to be approximately \$101 million. Through June 30, 2023, we have expended \$50.6 million and expect to incur approximately \$50 million for capital projects for the remainder of 2023.

We currently project that we may expend approximately \$166 million for capital projects in 2024 and 2025. The actual amount and timing of capital expenditures is dependent on the need for replacement of existing infrastructure, customer growth, residential new home construction and sales, project scheduling and continued refinement of project scope and costs.

To pay for our capital program for the remainder of 2023, we plan on utilizing some or all of the following:

- Internally generated funds;
- Short-term borrowings, as needed, through \$140 million of bank lines of credit established with multiple financial institutions. As of June 30, 2023, there was \$116.5 million of available credit under these lines (for further discussion on Company lines of credit, see *Note 6 – Short Term Borrowings*);
- Proceeds from long-term borrowing arrangements, including loans from private placement, CoBank and the Delaware SRF Program, which provides cost-effective financing for projects that meet certain water quality-related and/or system improvement criteria (for further discussion on long-term borrowings, see *Recent Developments – Financings above*); and
- Proceeds from sales of common stock under the Investment Plan.

In March 2023, the Company began offering shares of its common stock for purchase at a 3% discount to participants in the Investment Plan. The discount offering will continue until 200,000 shares are purchased at the discounted price or December 1, 2023, whichever event occurs first.

In April 2023, Middlesex 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.

In May 2023, Middlesex received approval from the NJBPU to increase the number of authorized shares under the Investment Plan by 0.7 million shares.

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, the timing and the sales method of the common stock is dependent on the timing of the 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 2023 to 2059. Over the next twelve months, approximately \$17.5 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

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.

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 (the Form 10-K) for the year ended December 31, 2022 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 – On March 21, 2023, the United States District Court for the District of New Jersey issued an order remanding the case back to the Superior Court of New Jersey. Discovery is underway in this matter.

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, 2022.

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 June 30, 2023, 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.

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Item 6.	Exhibits
10.26(e)	Amendment to Loan Documents, dated June 15, 2023, between the Company, Pinelands Wastewater Company, Pinelands Water Company, Tidewater Utilities, Inc., Utility Service Affiliates (Perth Amboy) Inc., Utility Service Affiliates Inc. and While Marsh Environmental Systems, Inc., and PNC Bank, N.A.
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
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/A. Bruce O'Connor
A. Bruce O'Connor
Senior Vice President, Treasurer and
Chief Financial Officer
(Principal Financial Officer)

Date: July 28, 2023

Amendment to Loan Documents



THIS AMENDMENT TO LOAN DOCUMENTS (this “**Amendment**”) is made as of June 15, 2023, by and between **MIDDLESEX WATER COMPANY, PINELANDS WASTEWATER COMPANY, PINELANDS WATER COMPANY, TIDEWATER UTILITIES, INC., UTILITY SERVICE AFFILIATES (PERTH AMBOY) INC., UTILITY SERVICE AFFILIATES INC.** and **WHITE MARSH ENVIRONMENTAL SYSTEMS, INC.** (individually and collectively, the “**Borrower**”), and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”).

BACKGROUND

A. The Borrower or another obligor has executed and delivered to the Bank (or a predecessor which is now known by the Bank’s name as set forth above), one or more promissory notes, letter agreements, loan agreements, security agreements, mortgages, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents, some or all of which are more fully described on attached Exhibit A, which is made a part of this Amendment (collectively as amended from time to time, the “**Loan Documents**”) which evidence or secure some or all of the indebtedness and other obligations of the Borrower to the Bank for one or more loans or other extensions of credit (as used herein, collectively, together with the Obligations, if and as defined in the Loan Documents, the “**Obligations**”). Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Loan Documents.

B. The Borrower and the Bank desire to amend the Loan Documents as provided for in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain of the Loan Documents are amended as set forth in Exhibit A. Any and all references to any Loan Document in any other Loan Document shall be deemed to refer to such Loan Document as amended by this Amendment. This Amendment is deemed incorporated into each of the Loan Documents. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in any Loan Document, the terms and provisions of this Amendment shall control.

2. The Borrower hereby certifies that: (a) all of its representations and warranties in the Loan Documents, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default, exists under any Loan Document which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms. The Borrower confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

3. The Borrower hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the Borrower or third parties (if applicable), shall continue unimpaired and in full force and effect, and shall cover and secure all of the Borrower’s existing and future Obligations to the Bank, as modified by this Amendment.

4. As a condition precedent to the effectiveness of this Amendment, the Borrower shall comply with the terms and conditions (if any) specified in Exhibit A.
5. To induce the Bank to enter into this Amendment, the Borrower waives and releases and forever discharges the Bank and its officers, directors, attorneys, agents, and employees from any liability, damage, claim, loss or expense of any kind that it may have against the Bank or any of them arising out of or relating to the Obligations. The Borrower further agrees to indemnify and hold the Bank and its officers, directors, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including attorneys' fees) suffered by or rendered against the Bank or any of them on account of any claims arising out of or relating to the Obligations. The Borrower further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.
6. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Upon written request by the other party (which may be made by electronic mail), any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.
7. Notwithstanding any other provision herein or in the other Loan Documents, the Borrower agrees that this Amendment, the Loan Documents, any other amendments thereto and any other information, notice, signature card, agreement or authorization related thereto (each, a "**Communication**") may, at the Bank's option, be in the form of an electronic record. Any Communication may, at the Bank's option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention. The Borrower and the Bank acknowledge and agree that the methods for delivering Communications, including notices, under the Loan Documents include electronic transmittal to any electronic address provided by either party to the other party from time to time.
8. The Bank may modify this Amendment for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Borrower (which notice may be given by electronic mail).
9. This Amendment will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns.
10. This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State identified in and governing the Loan Documents that are being amended hereby (the "**State**"), excluding its conflict of laws rules, including without limitation the Electronic Transactions Act (or equivalent) in such State (or, to the extent controlling, the laws of the United States of America, including without limitation the Electronic Signatures in Global and National Commerce Act). This Amendment has been delivered to and accepted by the Bank and will be deemed to be made in the State.
11. Except as amended hereby, the terms and provisions of the Loan Documents remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Loan Document, a waiver of any default or Event of Default under any Loan Document, or a waiver or release of any of the Bank's rights and remedies (all of which are hereby reserved). **The Borrower expressly ratifies and confirms the confession of judgment (if applicable) and dispute resolution, waiver of jury trial or arbitration provisions, as applicable, contained in the Loan Documents, all of which are incorporated herein by reference.**

WITNESS the due execution of this Amendment as a document under seal as of the date first written above.

MIDDLESEX WATER COMPANY

By: /s/ A. Bruce O'Connor (SEAL)
A. Bruce O'Connor
Senior Vice President & Treasurer

PINELANDS WASTEWATER COMPANY

By: /s/ A. Bruce O'Connor (SEAL)
A. Bruce O'Connor
Vice President & Treasurer

PINELANDS WATER COMPANY

By: /s/ A. Bruce O'Connor (SEAL)
A. Bruce O'Connor
Vice President & Treasurer

TIDEWATER UTILITIES, INC.

By: /s/ A. Bruce O'Connor
A. Bruce O'Connor
President

SIGNATURES CONTINUE ON FOLLOWING PAGE

**UTILITY SERVICE AFFILIATES (PERTH AMBOY)
INC.**

By: /s/ A. Bruce O'Connor (SEAL)
A. Bruce O'Connor
Vice President & Treasurer

UTILITY SERVICE AFFILIATES INC.

By: /s/ A. Bruce O'Connor (SEAL)
A. Bruce O'Connor
Treasurer

WHITE MARSH ENVIRONMENTAL SYSTEMS, INC.

By: /s/ A. Bruce O'Connor
A. Bruce O'Connor
President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Anthony Frasso
Anthony Frasso
Senior Vice President

**EXHIBIT A TO
AMENDMENT TO LOAN DOCUMENTS
DATED AS OF JUNE 15, 2023**

A. **Loan Documents.** The Loan Documents that are the subject of this Amendment include the following (as each of such documents has been amended, modified or otherwise supplemented previously):

1. Amended and Restated Loan Agreement between the Borrower and the Bank dated April 29, 2015, between the Borrower and the Bank
2. \$68,000,000.00 Amended and Restated Committed Line of Credit Note dated March 17, 2023, executed and delivered by the Borrower to the Bank (the “**Note**”)
3. Amendment to Loan Documents dated June 30, 2015, between the Borrower and the Bank
4. Amendment to Loan Documents dated September 26, 2017, between the Borrower and the Bank
5. Amendment to Loan Documents dated May 4, 2018, between the Borrower and the Bank
6. Amendment to Loan Documents dated February 19, 2019, between the Borrower and the Bank
7. Amendment to Loan Documents dated October 22, 2019, between the Borrower and the Bank
8. Amendment to Loan Documents dated April 5, 2021, between the Borrower and the Bank
9. Waiver and Amendment to Loan Documents dated February 9, 2022, between the Borrower and the Bank
10. All other documents, instruments, agreements, and certificates executed and delivered in connection with the Loan Documents listed in this Section A.

B. **Amendment(s).** The Loan Documents are amended as follows:

The last paragraph of Section 2 of the Note entitled Interest Rate is hereby amended and restated to read in its entirety as follows:

“The Borrower may select different Options to apply simultaneously to different portions of the advances and may select up to seven (7) different interest periods to apply simultaneously to different portions of the advances bearing interest under the Fixed Rate Option(s) (as defined below).”

C. **Conditions to Effectiveness of Amendment.** The Bank’s willingness to agree to the amendments set forth in this Amendment is subject to the prior satisfaction of the following conditions:

1. Execution by all parties and delivery to the Bank of this Amendment.
2. Payment by the Borrower to the Bank of all fees and expenses required by the Bank in connection with this Amendment.

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

Date: July 28, 2023

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

Date: July 28, 2023

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: July 28, 2023

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, 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: July 28, 2023

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.
