

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

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

For the Fiscal Year ended December 31, 2003

Commission File
No. 0-422

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

New Jersey
(State or other jurisdiction of
incorporation or organization)

22-1114430
(I.R.S. Employer
Identification No.)

1500 Ronson Road, Iselin, New Jersey
(Address of principal executive offices)

08830-3020
(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	Name of each exchange on which registered
----- None	----- None

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

Common Stock, No par Value
(Title of Class)

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

YES .

NO .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

The aggregate market value of the voting stock held by nonaffiliates of the registrant at June 30, 2003 was \$188,144,223 based on the closing market price of \$17.95 per share.

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

Class	Outstanding at March 9, 2004
-----	-----
Common Stock, No par Value	10,588,947

Documents Incorporated by Reference

Proxy Statement to be filed in connection with the Registrant's Annual Meeting of Shareholders to be held on May 19, 2004 as to Part III.

EXPLANATORY NOTE AND AMENDMENT INDEX

This Annual Report on Form 10K/A ("Form 10-K/A") is filed as Amendment No. 1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003. This Form 10K/A is filed with the Securities and Exchange Commission for the purpose of amending Part I, Item 3, "Legal Proceedings" and Note 4 to the Consolidated Financial Statements, "Litigation" to provide that the outcome of a particular litigation could have a material adverse effect on the Company's financial statements. In addition, this Form 10-K/A amends Part II, Item 5, "Market for the Registrant's Common Equity, Related Stockholder Matters and Price Range of Common Stock," by adding a description of the Middlesex Water Company Restricted Stock Plan. In addition, the Form 10-K/A includes a revised Part IV Signatures and an updated Exhibit Index in which seven agreements formerly titled "Employment Agreements" are retitled "Change in Control Agreement" and a Consulting Agreement with J. Richard Tompkins is added as Exhibit 10.13(h). The Exhibit Index has also been revised to specifically identify exhibits which are management contracts or compensatory plans or arrangements. Note 4 to the Consolidated Financial Statements has also been updated to disclose the Change in Control Agreements.

These changes can be found at:

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MIDDLESEX WATER COMPANY
FORM 10-K
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FORWARD-LOOKING STATEMENTS

We discuss certain matters in this document which are not historical facts, but which are "forward-looking statements." We intend these "forward-looking statements" to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These "forward-looking statements" may include, but are not limited to, statements regarding:

- o our expected profitability and results of operations;
- o strategic plans for growth;
- o the amount and timing of rate increases and other regulatory matters;
- o expectations and events concerning capital expenditures; and
- o the availability and quality of our water supply.

The "forward-looking statements" in this document reflect what we currently anticipate will happen in each case. What actually happens could differ materially from what we currently anticipate will happen. We are not promising to make any public announcement when we think "forward-looking statements" in this document are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason.

Important matters that may affect what will actually happen include, but are not limited to, general stock market risks, government regulation and fluctuating economic conditions.

The terms "we," "our," and "us" refer to Middlesex Water Company and its subsidiaries, including Tidewater Utilities, Inc. ("Tidewater") (and Tidewater's wholly-owned subsidiaries, Southern Shores Water Company, LLC ("Southern Shores") and White Marsh Environmental Systems, Inc. ("White Marsh"), Pinelands Water Company ("Pinelands Water") and Pinelands Wastewater Company ("Pinelands Wastewater") (collectively, "Pinelands"), Utility Service Affiliates, Inc. ("USA"), Utility Service Affiliates (Perth Amboy) Inc., ("USA-PA") and Bayview Water Company ("Bayview").

PART I

Item 1. Business

Overview

Middlesex Water Company was incorporated as a water utility company in 1897 and owns and operates regulated water utility systems in central and southern New Jersey and in Delaware as well as a regulated wastewater utility in southern New Jersey. We also operate water and wastewater systems on behalf of others in New Jersey and Delaware.

Middlesex principal executive offices are located at 1500 Ronson Road, Iselin, New Jersey 08830. Our telephone number is (732) 634-1500. Our internet website address is <http://www.middlesexwater.com>. We make available, free of charge through our internet website, reports and amendments filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC).

Middlesex System

The Middlesex System provides water services to approximately 58,000 retail customers, primarily in eastern Middlesex County, New Jersey and provides water under contract to the Township of Edison, the Boroughs of Highland Park and Sayreville, and both the Old Bridge and the Marlboro Township Municipal Utilities Authorities. The Middlesex System treats, stores and distributes water for residential, commercial, industrial and fire prevention purposes. Under a special contract, the Middlesex System also provides water treatment and pumping services to the Township of East Brunswick. The Middlesex System, through its retail and contract service operations, produced approximately 70% of our 2003 revenue.

The Middlesex System's retail customers are located in an area of approximately 55 square miles in Woodbridge Township, the City of South Amboy, the Boroughs of Metuchen and Carteret, portions of Edison Township and the Borough of South Plainfield in Middlesex County and, to a minor extent, a portion of the Township of Clark in Union County. The retail customers include a mix of residential customers, large industrial concerns and commercial and light industrial facilities. These retail customers are located in generally well-developed areas of central New Jersey. The contract customers of the Middlesex System comprise an area of approximately 141 square miles with a population of approximately 267,000. Contract sales to Edison, Sayreville, Old Bridge and Marlboro are supplemental to the existing water systems of these customers. The State of New Jersey in the mid-1980's approved plans to increase available surface water supply to the South River Basin area of the state to permit a reduced use of ground water in this area. The Middlesex System provides treated surface water under long-term agreements to East Brunswick, Marlboro, Old Bridge and Sayreville consistent with the state-approved plan.

Tidewater System

Tidewater, together with its wholly-owned subsidiary, Southern Shores Water Company, LLC, provides water services to approximately 24,000 retail customers for domestic, commercial and fire protection purposes in over 240 separate community water systems in New Castle, Kent and Sussex Counties, Delaware. The Tidewater System produced approximately 15% of our total revenue in 2003. Tidewater has another wholly-owned subsidiary, White Marsh Environmental Systems, Inc., which owns the office building that Tidewater uses as its business office, and which operates water and wastewater systems under contract. White Marsh's rates for water and wastewater operations are not regulated by the Delaware Public Service Commission (PSC).

Utility Service Affiliates (Perth Amboy)

USA-PA operates the City of Perth Amboy's water and wastewater systems under a 20-year agreement, which expires in 2018. Perth Amboy has a population of 40,000 and has approximately 9,300 customers, most of whom are served by both systems. The agreement was effected under New Jersey's Water Supply Public-Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act and requires USA-PA to lease from Perth Amboy all of its employees who currently work on the Perth Amboy water and wastewater systems. Under the agreement, USA-PA receives both fixed and variable fees based on increased system billing. Fixed fee payments began at \$6.4 million in the first year and are to increase over the term of the 20-year contract to \$9.7 million. Variable fees in 2003 were approximately \$0.2 million. USA-PA produced approximately 12.5% of our total revenue in 2003.

In connection with the agreement, we guaranteed a series of bonds in the principal amount of approximately \$26.3 million. In addition to the agreement with Perth Amboy, USA-PA entered into a 20-year subcontract with a wastewater operating company for the operation and maintenance of the Perth Amboy wastewater system. The subcontract provides for the sharing of certain fixed and variable fees and operating expenses.

Pinelands System

Pinelands Water services approximately 2,300 residential customers in Burlington County, New Jersey. Pinelands produced less than 1% of our total revenue in 2003.

Pinelands Wastewater services approximately 2,300 primarily residential retail customers. Under contract, it also services one municipal wastewater system in Burlington County, New Jersey with about 200 residential customers. Pinelands Wastewater produced approximately 1% of our total revenue in 2003.

Utility Service Affiliates, Inc.

In 1999, we implemented a franchise agreement with the City of South Amboy ("South Amboy") to provide water service and install water system facilities in South Amboy. The South Amboy franchise was approved by the Board of Public Utilities (BPU) and its implementation significantly impacted two existing agreements entered into by the parties. The first agreement was for the sale of water to South Amboy on a wholesale basis. The second agreement was for the provision of management services for a fixed fee.

Middlesex and USA have jointly entered into a venture with an entity that offers meter installation and related services. This venture seeks to obtain competitively bid service contracts with municipalities in the Mid-Atlantic and New England regions. The contract work may include any or all of the following: meter purchases, replacement meter program, new meter program and meter testing. USA also offers a service line maintenance program to residential customers in the Middlesex system. These businesses contributed less than 1% of our total revenue in 2003.

Bayview System

In April 2001, Bayview bought the assets of a 300-customer water utility in Cumberland County, New Jersey. The Bayview System produced less than 1% of our total revenue in 2003.

Financial Information

Consolidated operating revenues and operating income are as follows:

	(Thousands of Dollars)		
	Years Ended December 31,		
	2003	2002	2001
Operating Revenues	\$64,111	\$61,933	\$59,638
Operating Income	\$11,500	\$12,467	\$11,493

Operating revenues were earned from the following sources:

	Years Ended December 31,		
	2003	2002	2001
Residential	39.4%	40.0%	38.4%
Commercial	9.8	9.7	10.2
Industrial	11.1	11.9	12.6
Fire Protection	10.7	10.5	10.4
Contract Sales	13.2	14.1	14.8
Contract Operations	12.6	12.1	12.2
Other	3.2	1.7	1.4
TOTAL	100.0%	100.0%	100.0%

Water Supplies and Contracts

Our New Jersey and Delaware water supply systems are physically separate and are not interconnected. In New Jersey, the Pinelands System and Bayview System are not interconnected with the Middlesex System or each other. We believe we have adequate sources of water supply to meet the current and anticipated future service requirements of our present customers in New Jersey and Delaware.

Middlesex System

Our Middlesex System, which produced 16,569 million gallons in 2003, obtains water from surface sources and wells, which we call groundwater sources. In 2003, surface sources of water provided approximately 70% of the Middlesex System's water supply, groundwater from wells provided approximately 23% and the balance of 7% was purchased from a nonaffiliated water utility. Middlesex System's distribution storage facilities are used to supply water to its customers at times of peak demand, outages and emergencies.

The principal source of surface water supply for the Middlesex System is the Delaware & Raritan Canal, which is owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority. Middlesex has recently entered into a renewed and modified agreement with the New Jersey Water Supply Authority, which is effective January 1, 2004 and expires November 30, 2023, and provides an average purchase of 27 million gallons per day of untreated water from the Delaware & Raritan Canal, augmented by the Round Valley/Spruce Run Reservoir System. We project that due to the renewed and modified agreement, expenses resulting from this agreement will increase our cost of raw water by at least 8.5% annually on a going forward basis. Surface water is pumped to and treated at the Carl J. Olsen (CJO) Plant. Middlesex also has an agreement with a nonaffiliated water utility for the purchase of treated water. This agreement, which expires December 31, 2005, provides for the minimum purchase of 3 million gallons per day of treated water with provisions for additional purchases. Purchased water costs are shown below:

	(Millions of Dollars)		
	Years Ended December 31,		
	2003	2002	2001
Purchased Water			

Untreated	\$ 2.0	\$ 1.9	\$ 2.0
Treated	1.8	1.8	1.7
	-----	-----	-----
Total Costs	\$ 3.8	\$ 3.7	\$ 3.7
	=====	=====	=====

Our Middlesex System also derives water from groundwater sources equipped with electric motor-driven, deepwell turbine-type pumps. The Middlesex System has 31 wells, which provide an aggregate pump capacity of approximately 27 million gallons per day.

The Middlesex System's groundwater sources are:

Source	No. of Wells	2003 Maximum Use Per Day Pumpage (millions of gallons)	Pump Capacity (mgd)	Location
Park Avenue	15	8.5	15.2	South Plainfield
Tingley Lane North	4	2.8	2.8	Edison
Tingley Lane South	5	2.6	2.6	Edison
Spring Lake	4	0.7	2.8	South Plainfield
Sprague Avenue #1	1	1.0	1.1	South Plainfield
Sprague Avenue #2	1	1.3	1.3	South Plainfield
Maple Avenue	1	0.8	0.9	South Plainfield
	--			
Total	31			

Tidewater System

Our Tidewater System, which produced 1,295 million gallons in 2003, obtains 100% of its water from 209 wells. In 2003, we placed eleven new wells in service and also deactivated, sealed and abandoned fifteen wells. Tidewater continues to submit applications to Delaware regulatory authorities for the approval of additional wells as growth, demand and water quality warrants. The Tidewater System does not have a central treatment facility but has several regional filter plants. Several of its water systems in New Castle, Kent and Sussex Counties, Delaware have interconnected transmission systems.

Pinelands System

Water supply to our Pinelands System is derived from four wells drilled into the Mt. Laurel aquifer which provided overall system delivery of 163 million gallons in 2003. The pump capacity for the four wells is 2.2 million gallons per day.

Bayview System

Water supply to Bayview customers is derived from two wells, which provided an overall system delivery of 10 million gallons in 2003. Each well has treatment facilities. Bayview has completed the replacement of its entire distribution system with approximately 16,000 feet of mains, valves and hydrants.

Pinelands Wastewater System

The Pinelands Wastewater System discharges into the South Branch of the Rancocas Creek through a tertiary treatment plant that provides clarification, sedimentation, filtration and disinfection. The total capacity of the plant is 0.5 million gallons per day. Current average flow is 0.3 million gallons per day. Pinelands has a current valid discharge permit issued by the New Jersey Department of Environmental Protection ("DEP").

Employees

As of December 31, 2003, we had a total of 148 employees in New Jersey, and a total of 61 employees in Delaware. In addition, we lease 24 employees under the USA-PA contract with the City of Perth Amboy, New Jersey. No employees are represented by a union except the leased employees. We believe our employee relations are good. Wages and benefits, other than for leased employees, are reviewed annually and are considered competitive within the industry.

Competition

Our business in our franchised service area is substantially free from direct competition with other public utilities, municipalities and other entities. However, our ability to provide some contract water supply and wastewater services and operations and maintenance services is subject to competition from other public utilities, municipalities and other entities. Although Tidewater has been granted an exclusive franchise for each of its existing community water systems, its ability to expand service areas can be affected by the PSC awarding franchises to other regulated water utilities.

Regulation

We are regulated as to rates charged to customers for water and wastewater services in New Jersey and for water services in Delaware, as to the quality of water service we provide and as to certain other matters. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities. We are subject to environmental and water quality regulation by the United States Environmental Protection Agency ("EPA"), and the New Jersey Department of Environmental Protection ("DEP"), and the Delaware Department of Natural Resources and Environmental Control ("DNREC"), Delaware Department of Health and Social Services-Division of Public Health ("DPH"), and the Delaware River Basin Commission ("DRBC") with respect to operations in Delaware. In addition, our issuances of securities are subject to the prior approval of the BPU or the PSC.

Regulation of Rates and Services

New Jersey water and wastewater service operations (excluding the operations of USA-PA) are subject to regulation by the BPU. Similarly, our Delaware water service operations are subject to regulation by the PSC. These regulatory authorities have jurisdiction with respect to rates, service, accounting procedures, the issuance of securities and other matters of utility companies operating within the States of New Jersey and Delaware, respectively. For ratemaking purposes, we account separately for operations in New Jersey and Delaware to facilitate independent ratemaking by the BPU for New Jersey operations and the PSC for Delaware operations.

In determining our rates, the BPU and the PSC consider the income, expenses, rate base of property used and useful in providing service to the public and a fair rate of return on that property each within its separate jurisdiction. Rate determinations by the BPU do not guarantee particular rates of return to us for our New Jersey operations or do rate determinations by the PSC guarantee particular rates of return for our Delaware operations. Thus, we may not achieve the rates of return permitted by the BPU or the PSC.

Middlesex Water Company filed a 17.8% base rate increase petition with the BPU on November 5, 2003. Increased operating expenses and utility plant investment necessitated the rate increase request. Tidewater believes it will be necessary to file for a base rate increase by early spring, 2004. In accordance with the tariff established for Southern Shores, a rate increase based on the Consumer Price Index was implemented on January 1, 2004. Other than rates for the Southern Shores system, there can be no assurance that any rate increases will be granted or, if granted, that they will be in the amounts we requested. Further, we filed

a base rate increase petition with the BPU for Pinelands on December 30, 2003, requesting an overall increase for those systems of 19.02%. Tidewater received PSC approval to increase its Distribution System Improvement Charge to 4.89% of base rates from 2.49%, effective January 1, 2004.

Water Quality and Environmental Regulations

Both the EPA and the DEP regulate our operations in New Jersey with respect to water supply, treatment and distribution systems and the quality of the water, as do the EPA, DNREC, DPH and DRBC with respect to operations in Delaware.

Federal, New Jersey and Delaware regulations adopted over the past five years relating to water quality require us to perform expanded types of testing to insure that our water meets state and federal water quality requirements. In addition, environmental regulatory agencies are reviewing current regulations governing the limits of certain organic compounds found in the water as byproducts of treatment. We participate in industry-related research to identify the various types of technology that might reduce the level of organic, inorganic and synthetic compounds found in the water. The cost to water companies of complying with the proposed water quality standards depends in part on the limits set in the regulations and on the method selected to implement such reduction. We believe the CJO Plant capabilities put us in a strong position to meet any such future standards with regard to our Middlesex System. We use regular testing of our water to determine compliance with existing federal, New Jersey and Delaware primary water quality standards, and believe that expansion will allow us to be in a stronger position to meet any such future regulations regarding our Middlesex System.

Well treatment in our Tidewater System is by chlorination and, in some cases, pH correction and filtration. Treatment in the Pinelands System (disinfection only) is done at individual well sites.

The DEP and the DPH monitor our activities and review the results of water quality tests that are performed for adherence to applicable regulations. Other regulations applicable to us include the Lead and Copper Rule, the maximum contaminant levels established for various volatile organic compounds, the Federal Surface Water Treatment Rule and the Total Coliform Rule.

Management

This table lists information concerning our senior management team:

Name	Age	Position(s)
Dennis G. Sullivan	62	President and Chief Executive Officer
A. Bruce O'Connor	45	Vice President, Controller and Chief Financial Officer
Ronald F. Williams	54	Vice President-Operations and Chief Operating Officer
Marion F. Reynolds(1)	64	Vice President, Secretary and Treasurer
Kenneth J. Quinn	56	General Counsel and Assistant Secretary
James P. Garrett	58	Assistant Vice President-Human Resources
Richard M. Risoldi	47	Assistant Vice President of Operations
Gerard L. Esposito	52	President, Tidewater Utilities, Inc.

(1) Ms. Reynolds retired from the Company on March 1, 2004.

Dennis G. Sullivan - Mr. Sullivan has been a Director of Middlesex since October 1999. Mr. Sullivan was hired in 1984 as Corporate Attorney, responsible for general corporate internal legal matters. He was elected Assistant Secretary-Assistant Treasurer in 1988 and Vice President and General Counsel in 1990. He was elected President and General Counsel in May 2001 and became President and Chief Executive Officer in January 2003. He is Chairman of the Board and a Director of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates, Inc., Utility Service Affiliates (Perth Amboy) Inc. and Bayview Water Company. He is also a Director of the New Jersey Utilities Association and the National Association of Water Companies.

A. Bruce O'Connor - Mr. O'Connor, a Certified Public Accountant, joined the Company in 1990 as Assistant Controller and was elected Controller in 1992 and Vice President in 1995. He was elected Vice President and Controller and Chief Financial Officer in May 1996. Upon the retirement of Ms. Reynolds, as noted above, Mr. O'Connor will assume the additional title and responsibilities of the Assistant Secretary for all subsidiaries except for Utility Service Affiliates, Inc. He is responsible for financial reporting, customer service, rate cases, cash management and financings. He was formerly employed by Deloitte & Touche LLP, a certified public accounting firm from 1984 to 1990. He is Treasurer and a Director of Tidewater Utilities, Inc., Bayview Water Company, Utility Service Affiliates, Inc., and White Marsh Environmental Systems, Inc. He is Vice President, Treasurer and a Director of Utility Service Affiliates (Perth Amboy) Inc., Pinelands Water Company and Pinelands Wastewater Company.

Ronald F. Williams - Mr. Williams was hired in March 1995 as Assistant Vice President-Operations, responsible for the Company's Engineering and Distribution Departments. He was elected Vice President-Operations in October 1995. Upon the retirement of Ms. Reynolds, as noted above, Mr. Williams will assume the additional title and responsibilities of the Assistant Secretary and Assistant Treasurer for Middlesex. He was formerly employed with the Garden State Water Company as President and Chief Executive Officer since 1991. He is a Director and President of Utility Service Affiliates (Perth Amboy) Inc., and Director of Utility Service Affiliates, Inc., Pinelands Water Company and Pinelands Wastewater Company.

Marion F. Reynolds - Ms. Reynolds, who had been Secretary-Treasurer since 1987 was elected Vice President, Secretary and Treasurer in 1993. Prior to her employment at Middlesex she had been employed by Public Service Electric and Gas Company, Newark, New Jersey since 1958, and was elected Assistant Corporate Secretary in 1976. She is Secretary of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company, Pinelands Wastewater Company and Bayview Water Company and Secretary and a Director of Utility Service Affiliates (Perth Amboy) Inc., and Utility Service Affiliates, Inc.

Kenneth J. Quinn - Mr. Quinn joined the Company in 2002 as General Counsel and was elected Assistant Secretary in 2003. Upon the retirement of Ms. Reynolds, as noted above, Mr. Quinn will assume the additional titles and responsibilities of the Secretary and Treasurer for Middlesex and Secretary for all subsidiaries of Middlesex. He has been engaged in the practice of law for 29 years and prior to joining the Company he had been employed by the law firm of Schenck, Price, Smith and King in Morristown, New Jersey. Prior to that, Mr. Quinn spent 10 years as in-house counsel to two major banking institutions located in New Jersey. In May 2003, he was elected Assistant Secretary of Tidewater Utilities, Inc., Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates (Perth Amboy) Inc., Bayview Water Company and White Marsh Environmental Systems, Inc. He is a member of the New Jersey State Bar Association and is also a member of the Public Utility Law Section of the Bar.

James P. Garrett - Mr. Garrett joined the Company in May, 2003 as Assistant Vice President-Human Resources. Prior to his hire, Mr. Garrett was employed by Toys "R" Us, Inc. from 1980-2003, most recently as Director of Organizational Development. Mr. Garrett is responsible for all human resource programs and activities at Middlesex Water Company, Pinelands Water Company; Pinelands Wastewater Company; Bayview Water Company; Utility Service Affiliates, Inc; Tidewater Utilities, Inc. and White Marsh Environmental Systems, Inc.

Richard M. Risoldi - Mr. Risoldi joined the Company in 1989 as Director of Production, responsible for the operation and maintenance of the Company's treatment and pumping facilities. He was appointed Assistant Vice President of Operations in January 2003. He was formally employed by the Trenton Water Utility and the North Jersey District Water Supply Commission. He is a Director of Tidewater Utilities, Inc. and White Marsh Environmental Systems Inc. He also serves as Director and President of Pinelands Water Company, Pinelands Wastewater Company, Bayview Water Company and Utility Service Affiliates, Inc.

Gerard L. Esposito - Mr. Esposito joined Tidewater in 1998 as Executive Vice President. Prior to joining the Company he worked for 22 years in various executive positions for Delaware environmental protection and water quality governmental agencies. In 1989, Mr. Esposito became the Director of the Delaware Division of Water Resources, responsible for the administration of all of Delaware's water pollution, water supply, water quality, wetlands and environmental laboratory programs. He is a Director of Tidewater Utilities, Inc. and also serves as a Director and President of White Marsh Environmental Systems, Inc.

Item 2. Properties

Utility Plant

The water utility plant in our systems consist of source of supply, pumping, water treatment, transmission and distribution, general facilities and all appurtenances, including all connecting pipes.

Middlesex System

The Middlesex System's principal source of surface supply is the Delaware & Raritan Canal owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority.

Water is withdrawn from the Delaware & Raritan Canal at New Brunswick, New Jersey through our intake and pumping station located on state-owned land bordering the canal. It is transported through our 54-inch supply main for treatment and distribution at our CJO Plant in Edison, New Jersey. The design capacity of our raw water supply main is 55 million gallons per day. Facilities at the CJO Plant consist of source of supply, pumping, water treatment, transmission, storage, laboratory and general facilities. In 2000, we substantially completed the upgrade and expansion of the CJO Plant, which began in 1997. We monitor water quality at the CJO Plant, at each well field and throughout the distribution system to determine that federal and state water quality standards are met.

The design capacity of the intake and pumping station in New Brunswick, New Jersey, and the raw water supply main located there, is 80 million gallons per day. The four electric motor-driven, vertical turbine pumps presently installed have an aggregate design capacity of 82 million gallons per day. Associated facilities are the 4,900 feet of 54-inch reinforced concrete water main connecting the intake and pumping station with the CJO Plant, 23,200 feet of 48-inch reinforced concrete transmission main connecting the CJO Plant to our distribution pipe network, and related storage, pumping, control, laboratory and other facilities. We also have a 58,600 foot transmission main, a 38,800 foot transmission main, and a long-term, non-exclusive agreement with the East Brunswick system, all used to transport water to several of our contract customers.

The CJO Plant includes chemical storage and chemical feed equipment, two dual rapid mixing basins, four upflow clarifiers which are also called superpulsators, four underground reinforced chlorine contact tanks, twelve rapid filters containing gravel, sand and anthracite for water treatment and a steel washwater tank. The CJO Plant also includes a computerized Supervisory Control and Data Acquisitions system to monitor and control the CJO Plant and the water supply and distribution system in the Middlesex System. The firm design capacity of the CJO Plant is now 45 million gallons per day (60 million gallons per day maximum capacity). The main pumping station at the CJO Plant has a design capacity of 90 million gallons per day. The four electric motor-driven, vertical turbine pumps presently installed have an aggregate capacity of 72 million gallons per day.

In addition to the main pumping station at the CJO Plant, there is a 15 mgd auxiliary pumping station located in a separate building. It has a dedicated substation and emergency power supply provided by a diesel-driven generator. It pumps from the 10 million gallon distribution storage reservoir directly into the distribution system.

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

In New Jersey, we own the properties on which Middlesex System's 31 wells are located, the properties on which our storage tanks are located as well as the property where the CJO Plant is located. We also own our headquarters complex located at 1500 Ronson Road, Iselin, New Jersey, consisting of a 27,000 square foot, two story office building and an adjacent 16,500 square foot maintenance facility.

Tidewater System

The Tidewater System's storage facilities include 36 storage tanks, with an aggregate capacity of 3.9 million gallons. Our Delaware operations are managed from Tidewater's leased offices in Dover, Delaware and Millsboro, Delaware. Tidewater's Dover, Delaware office property, located on property owned by White Marsh, consists of a 6,800 square foot office building situated on an eleven-acre lot. White Marsh also owns another business site for which it is exploring several options for future use.

Pinelands System

Pinelands Water Company owns well site and storage properties that are located in Southampton Township, New Jersey. Pinelands Water storage facility is a 1.2 million gallon standpipe.

Pinelands Wastewater System

Pinelands Wastewater Company owns a 12 acre site on which its 0.5 million gallons per day capacity tertiary treatment plant and connecting pipes are located.

Bayview System

Bayview owns two wells, which are located in Downe Township, Cumberland County, New Jersey.

USA-PA, USA and White Marsh

Our non-regulated subsidiaries, namely USA-PA, USA and White Marsh, do not own utility plant property.

Item 3. Legal Proceedings

A lawsuit was filed against the Company for damages involving the break of both a Company water line and an underground electric power cable containing both electric lines and petroleum based insulating fluid. The electric utility also asserted claims against the Company. The lawsuit was settled by agreement to submit plaintiff's claim for approximately \$1.1 million damages to binding arbitration, in which the agreed maximum exposure of the Company is \$0.3 million. While we are unable to predict the outcome of the arbitration, we believe that we have substantial defenses. We have not recorded any liability for the claim.

Another claim is pending involving a construction subcontractor, the Company's general contractor and the Company concerning a major construction project. The dispute relates to work required to be performed under a construction contract and related subcontracts and includes payment issues and timing/delay issues. The matter was instituted in 2001 and is pending in Superior Court, Middlesex County, New Jersey. We have estimated our maximum exposure in this litigation to be \$4.3 million. We believe that we have substantial defenses to a number of the asserted claims. It is reasonably possible that we may be responsible for some portion of the amount claimed, but significantly less than the maximum. We are unable, however, to determine this amount. Any amount in this matter which is determined to be due from us, will be recorded as an addition to utility plant in service, subject to recovery in rates charged to our customers. However, the outcome could have a material adverse effect on the Company's financial statements.

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

None.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Price Range of Common Stock

The following table shows the range of closing prices for the Common Stock on the Nasdaq Stock Market for the calendar quarter indicated and the dividend paid to shareholders in such quarter.

2003 ----	High ----	Low ---	Dividend -----
First Quarter	\$ 18.00	\$ 15.77	\$0.1613
Second Quarter	18.49	16.32	0.1613
Third Quarter	21.23	17.72	0.1613
Fourth Quarter	21.12	18.19	0.1650
2002 ----	High ----	Low ---	Dividend -----
First Quarter	\$ 17.74	\$ 16.70	\$0.1575
Second Quarter	20.04	15.53	0.1575
Third Quarter	19.43	13.73	0.1575
Fourth Quarter	17.36	15.38	0.1613

Approximate Number of Equity Security Holders as of December 31, 2003

Title of Class -----	Number of Record Holders -----
Common Stock, No Par Value	2,106
Cumulative Preferred Stock, No Par Value:	
\$7.00 Series	14
\$4.75 Series	1
Cumulative Convertible Preferred Stock, No Par Value:	
\$7.00 Series	4
\$8.00 Series	3

Dividends

The Company has paid dividends on its Common Stock each year since 1912. Although it is the present intention of the Board of Directors of the Company to continue to pay regular quarterly cash dividends on its Common Stock, the payment of future dividends is contingent upon the future earnings of the Company, its financial condition and other factors deemed relevant by the Board of Directors at its discretion.

If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock. In the event dividends on the preferred stock are in arrears, no dividends may be declared or paid on the common stock of the Company. Substantially all of the Utility Plant of the Company is subject to the lien of its mortgage, which also includes certain restrictions as to cash dividend payments and other distributions on common stock.

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

Restricted Stock Plan

The Company maintains a shareholder approved Restricted Stock Plan, under which 69,400 shares of the Company's common stock are held in escrow by the Company for key employees. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the grant other than as a result of retirement, death or disability. The maximum number of shares authorized for grant under this plan is 240,000 shares.

Item 6. Selected Financial Data

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

	2003	2002	2001	2000	1999
Operating Revenues	\$ 64,111	\$ 61,933	\$ 59,638	\$ 54,477	\$ 53,497
Operating Expenses:					
Operations and Maintenance	36,195	32,767	31,740	30,269	28,887
Depreciation	5,363	4,963	5,051	4,701	3,885
Other Taxes	7,816	7,737	7,594	6,916	6,740
Income Taxes	3,237	3,999	3,760	2,653	3,320
Total Operating Expenses	52,611	49,466	48,145	44,539	42,832
Operating Income	11,500	12,467	11,493	9,938	10,665
Other Income	358	442	502	364	1,911
Interest Charges	5,227	5,144	5,042	4,997	4,695
Net Income	6,631	7,765	6,953	5,305	7,881
Preferred Stock Dividend	255	255	255	255	301
Earnings Applicable to Common Stock	\$ 6,376	\$ 7,510	\$ 6,698	\$ 5,050	\$ 7,580
Earnings per Share:*					
Basic	\$ 0.61	\$ 0.73	\$ 0.66	\$ 0.50	\$ 0.77
Diluted	\$ 0.61	\$ 0.73	\$ 0.66	\$ 0.50	\$ 0.76
Average Shares Outstanding:*					
Basic	10,475	10,280	10,131	10,044	9,854
Diluted	10,818	10,623	10,474	10,387	10,296
Dividends Declared and Paid*	\$ 0.649	\$ 0.634	\$ 0.623	\$ 0.613	\$ 0.593
Total Assets	\$ 263,192	\$ 248,962	\$ 240,312	\$ 222,815	\$ 218,062
Convertible Preferred Stock	\$ 2,961	\$ 2,961	\$ 2,961	\$ 2,961	\$ 2,961
Long-term Debt	\$ 97,377	\$ 87,483	\$ 88,140	\$ 82,109	\$ 82,330

*All share and per share amounts reflect the three-for-two common stock split effective January 2, 2002 and the four-for-three common stock split, effective November 14, 2003.

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

As discussed in Note 10 to the consolidated financial statements, in Restatement of Consolidated Financial Statements, the financial statements as of December 31, 2002 and for the years ended December 31, 2002 and 2001 have been restated. The restatement had no effect on reported total assets, net income, earnings applicable to common stock, cash flows from operations or liquidity.

Overview

Middlesex Water Company has operated as a water utility in New Jersey since 1897, and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate a New Jersey municipal water and wastewater system under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services in New Jersey and for water services in Delaware, as to the quality of water service we provide and as to certain other matters. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

Our New Jersey water utility system (the "Middlesex System") provides water services to approximately 58,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey with a total population of approximately 267,000. In partnership with our subsidiary, USA-PA, we operate the water supply system and wastewater system for the City of Perth Amboy, New Jersey. Our other New Jersey subsidiaries, Pinelands Water and Pinelands Wastewater, provide water and wastewater services to residents in Southampton Township, New Jersey.

Our Delaware subsidiaries, Tidewater and Southern Shores, provide water services to approximately 24,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Our other Delaware subsidiary, White Marsh, services an additional 1,900 customers in Kent and Sussex Counties.

The majority of our revenue is generated from retail and contract water services to customers in our service areas. We record water service revenue as such service is rendered and include estimates for amounts unbilled at the end of the period for services provided after the last billing cycle. Fixed service charges are billed in advance by our subsidiary, Tidewater, and are recognized in revenue as the service is provided.

Our ability to increase operating income and net income is based significantly on three factors: weather, adequate and timely rate increases, and customer growth. These factors are evident in the discussions below which compare our results of operations from prior years. Cool, wet weather led to lower revenues and earnings in 2003. Rate increases for Middlesex and many of our subsidiaries increased revenues and net income in 2002 and 2001. Customer growth in our Delaware service territories has increased revenues greater than the cost to serve these new customers.

Results of Operations in 2003 Compared to 2002

Operating revenues for the year rose \$2.2 million or 3.5% over the same period in 2002. Customer growth of 10.9% in Delaware provided additional facility charges and connection fees of \$1.4 million. Higher base rates in our Delaware service territories provided \$0.6 million of the increase. Though we anticipate continued growth in the number of customers and increased water consumption among our Delaware systems, such growth and increased consumption cannot be guaranteed. Additionally, weather conditions may adversely impact future consumption despite anticipated growth in the number of customers. For example, for the year ended December 31, 2003, cool wet weather in the Mid-Atlantic region pushed

Tidewater's consumption revenue down by \$0.3 million and Middlesex consumption revenue down by \$0.5 million. Despite such adverse weather conditions, revenues from our operations and maintenance contracts rose \$0.5 million due to scheduled increases in fixed fees under the City of Perth Amboy contract.

New wastewater operations in Delaware provided \$0.1 million in additional revenues. Our new meter services venture provided \$0.3 million in additional revenues. All other operations accounted for \$0.1 million of the higher revenues.

Operating expenses increased by \$3.1 million or 6.4%. Costs related to main breaks resulting from severe winter weather conditions in the first quarter of 2003 contributed to additional expenses of \$0.4 million. There were also higher sewer disposal fees and security costs for USA-PA that helped increase costs by \$0.6 million. An increase in our Delaware employee base, general wage increases and higher costs associated with employee medical and retirement benefits pushed up costs by \$0.7 million. In New Jersey, payroll costs, employee benefits and legal fees pushed up costs by \$0.9 million. Non-regulated operations of meter installations and wastewater, which began in 2003, contributed \$0.3 million of the overall expense increase.

Water treatment, source of supply and pumping costs increased by \$0.5 million combined. Going forward we anticipate an increase in New Jersey's electric generation costs due to deregulation of electricity and an increase of at least 8.5% in the cost of untreated water purchased under a new contract with the New Jersey Water Supply Authority. These increasing costs, in addition to higher business insurance and security costs prompted us to file for a 17.8% base rate increase with the BPU for Middlesex and a 19.02% base rate increase for Pinelands. We cannot predict whether the BPU will approve, deny or reduce the amount of our requests; however, despite the outcome, we will continue to seek rate increases in the future where increased operating costs and capital investment necessitate such action.

Depreciation expense for 2003 increased by \$0.4 million, or 8.1%, due to a higher level of utility plant in service. Allowance for funds used during construction rose 17% for the year as Tidewater's capital program now includes larger projects with longer construction schedules. As our investment in utility plant increases, we continue to seek timely rate relief either through base rate filings as discussed above or through other means such as the Distribution System Improvement Charge (DSIC) in Delaware. The DSIC is a separate rate mechanism that allows for cost recovery of certain capital improvement costs incurred in between base rate filings. Delaware regulated water utilities are allowed to apply for a DSIC every six months with the maximum increase limited to 5.0% in any twelve month period and a 7.5% overall limitation. The PSC approved an increase in Tidewater's DSIC to 4.89% of base rates from 2.49%, effective January 1, 2004. In addition, because Tidewater continues to make significant capital additions and improvements to its new and existing systems, it believes it will be necessary to file for a base rate increase by early spring 2004. That increase request, which is expected to be in excess of 20%, is due to the \$20.0 million of additional utility plant placed in service or to be placed in service since the last rate case.

Other taxes increased by \$0.1 million generally due to higher payroll related taxes and real estate taxes in both New Jersey and Delaware. Lower federal income taxes of \$0.8 million over last year are attributable to the reduced operating results for 2003 as compared to 2002.

Other income decreased by \$0.1 million as interest rates fell on short-term cash balance investments. Interest expense increased by \$0.1 million due to a higher level of overall debt outstanding as compared to last year.

Net income decreased to \$6.6 million from \$7.8 million and basic and diluted earnings per share decreased by \$0.12 to \$0.61 due to lower earnings.

Results of Operations in 2002 Compared to 2001

Operating revenues increased \$2.3 million or 3.9% over the prior year. Higher base rates in New Jersey and Delaware provided \$1.9 million of the increase. A full year of ownership of the Bayview and Southern Shores systems generated additional revenue of \$0.4 million. Service fees from our operation and maintenance contracts rose \$0.2 million due to an increase in fixed fees for sewer disposal under the City of Perth Amboy contract.

Consumption revenues decreased by \$0.2 million. Drought restrictions in New Jersey caused decreased usage in the amount of \$1.3 million. The continued double-digit growth of our Tidewater customer base offset \$1.1 million of the lower consumption revenues.

Operating expenses increased \$1.3 million for the year. Operation and maintenance expenses accounted for \$1.0 million of the increase. There were higher sewer costs of \$0.2 million for USA-PA. General wage increases, higher costs associated with employee medical and retirement benefits and an increase in our Delaware employee base, pushed up operation and maintenance costs by \$0.7 million. Approximately \$0.2 million was due to the inclusion of expenses of Southern Shores for the entire year. Increases in business insurances, audit fees and stock exchange filing fees amounted to \$0.2 million. A favorable decrease in water production and treatment costs of \$0.3 million was due to drought related consumption decreases in our New Jersey operations.

Other taxes increased by \$0.1 million due to higher revenue related taxes in New Jersey, increased real estate taxes and payroll taxes in both New Jersey and Delaware. Higher federal income taxes of \$0.2 million over 2001 were attributable to favorable operating results over that year.

Depreciation expense decreased by \$0.1 million, or 1.7%, due to the full recovery of our investment in transportation equipment, which we depreciate at a higher rate than our mains and appurtenances.

Allowance for funds used during construction rose \$0.1 million for the year as the capital programs of Middlesex Water Company and Tidewater now include larger projects with longer construction periods. Other income was lower by \$0.3 million due mostly to the recognition of a one time gain reported in 2001 by a small investor-owned water utility in southern Delaware, in which we own a 23% interest.

Even though there was a higher level of long-term and short-term debt outstanding compared to 2001, lower interest rates on short-term debt and the \$6.0 million refinancing of long-term debt at a lower rate helped to keep the interest expense increase to 2.0% or \$0.1 million.

Net income rose to \$7.8 million from \$7.0 million and basic and diluted earnings per share rose \$0.07 from \$0.66 to \$0.73 per share due to higher earnings.

Outlook

Our revenues should continue to increase in 2004 as we expect customer growth in Delaware and our pursuit of non-regulated opportunities in Delaware and elsewhere to continue. The level of revenues and earnings will be impacted by the ultimate outcome of the New Jersey base rate cases currently under review by the BPU and the anticipated base rate filing in Delaware for Tidewater. Revenues and earnings will also be influenced by weather. Changes in these factors as well as our projected capital program are the primary factors that will determine the need for future rate increase filings.

We continue to explore viable plans to streamline operations and reduce costs, particularly in Delaware, where customer growth continues to exceed industry averages. Part of the challenge is that our Delaware operations are a combination of over 70 stand-alone production and distribution systems serving 240 communities.

Our strategy is for continued growth through acquisitions, internal expansion, public/private partnerships and rate relief. We will continue to pursue opportunities in both the regulated and non-regulated sectors that are financially sound, complement existing operations and increase shareholder value.

Liquidity and Capital Resources

Cash flows from operations are largely based on three factors: weather, adequate and timely rate increases, and customer growth. The effect of those factors on net income is discussed in results of operations. For 2003, net cash flow from operations of \$14.2 million, which increased over 2002 due to lower working capital requirements, and proceeds from prior year financings allowed us to fund approximately 85% of our 2003 utility plant expenditures. Net proceeds from issuing long-term debt were used to fund the balance of those expenditures.

As shown in the following table, we expect our capital expenditures in 2004 and 2005 to increase over 2003. These increases are attributable to a major pipeline installation in the Middlesex system and continued customer growth and service improvement requirements in our Tidewater systems in Delaware, where we spent \$11.9 million on utility plant in 2003.

	(Millions of Dollars)		
	2004	2005	2006
	----	----	----
Delaware Systems	\$ 14.1	\$ 12.8	\$ 7.6
Raw Water Line	6.0	4.0	0.0
RENEW Program	3.8	3.0	3.0
Scheduled Upgrades to Existing Systems	4.8	4.6	3.5
	-----	-----	-----
Total	\$ 28.7	\$ 24.4	\$ 14.1
	=====	=====	=====

Under our capital program for 2004, we plan to expend \$14.1 million for water system additions and improvements for our Delaware systems, which include the construction of two elevated tanks, a sludge removal plant and the creation of several new wells and interconnections. The two-year, \$10.0 million project to construct the second raw water line to Middlesex primary water treatment plant is expected to begin in 2004. We expect to spend \$3.8 million for the RENEW program, which is our program to clean and cement line unlined mains in the Middlesex System. There remains a total of approximately 138 miles of unlined mains in the 730-mile Middlesex System. In 2003, 5.3 miles of unlined mains were cleaned and cement lined. The capital program also includes \$4.8 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$0.8 million for mains, \$0.8 million for service lines, \$0.4 million for meters, \$0.3 million for hydrants, \$0.2 million for computer systems and \$2.3 million for various other items.

To pay for our capital program in 2004, we will utilize internally generated funds and funds available under existing New Jersey Environmental Infrastructure Trust loans (currently, \$3.8 million) and Delaware State Revolving Fund loans (currently, \$3.0 million), which provide low cost financing for projects that meet certain water quality and system improvement benchmarks. If necessary, we will also utilize short-term borrowings through \$25.0 million of available lines of credit with three commercial banks. As of December 31, 2003, we had \$12.5 million outstanding against the lines of credit. We have filed with the United States Securities and Exchange Commission ("SEC") a registration statement on Form S-3 covering the offering of 700,000 shares of our common stock. We anticipate the registration statement will be declared effective in March 2004, after the filing with the SEC of this Annual Report on Form 10-K for the year ended December 31, 2003. There can be no assurance that the registration statement will be declared effective in March 2004 or at any later time. If the offering is completed, we expect to use the net proceeds to repay our outstanding short-term borrowings.

Going forward into 2005 through 2006, we currently project that we will be required to expend approximately \$38.5 million for capital projects. Plans to finance those projects are underway as we expect to receive approval to borrow up to \$17.0 million under the New Jersey Environmental Infrastructure Trust program in November of 2004. We anticipate that some of the capital projects in Delaware will be eligible for the Delaware State Revolving Fund program in that state and we are pursuing those opportunities. We also expect to use internally generated funds and proceeds from the sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan.

Increases in certain operating costs will impact our liquidity and capital resources. As described in our results of operations discussion, we have filed for rate relief for Middlesex and the Pinelands Companies. There is no certainty, however, that the BPU will approve any or all of the requested increase. We also plan to file for a base rate increase for Tidewater by early spring.

Contractual Obligations

The table below presents our known contractual obligations for the periods specified. The purchased water amounts include the effect of the new agreement with the New Jersey Water Supply Authority effective January 1, 2004.

	Payment Due by Period (Millions of Dollars)				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-Term Debt	\$ 98.4	\$ 1.1	\$ 2.2	\$ 2.3	\$ 92.8
Purchased Water Contracts	25.6	3.9	6.2	4.5	11.0
Wastewater Operations	64.4	3.7	11.6	12.6	36.5
Total	\$188.4	\$ 8.7	\$ 20.0	\$ 19.4	\$140.3

Guarantees

USA-PA operates the City of Perth Amboy's (Perth Amboy) water and wastewater systems under a service contract agreement through June 30, 2018. The agreement was effected under New Jersey's Water Supply Public/Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives a fixed fee and a variable fee based on increased system billing. Scheduled fixed fee payments began at \$6.4 million in the first year and will increase over the term of the contract to \$9.7 million.

In connection with the agreement, Perth Amboy, through the Middlesex County Improvement Authority, issued approximately \$68.0 million in three series of bonds. Middlesex guaranteed one of those series of bonds, which are designated the Series C Serial Bonds, in the principal amount of approximately \$26.3 million. Perth Amboy guaranteed the two other series of bonds. The Series C Serial Bonds have various maturity dates with the final maturity date on September 1, 2015. As of December 31, 2003, approximately \$24.4 million of the Series C Serial Bonds remained outstanding.

We are obligated to perform under the guarantee in the event notice is received from the Series C Serial Bonds trustee of an impending debt service deficiency. If Middlesex funds any debt service obligations as guarantor, there is a provision in the agreement that requires Perth Amboy to reimburse us. There are other provisions in the agreement that we believe make it unlikely that we will be required to perform under the guarantee, such as scheduled annual rate increases for the water and wastewater services as well as rate increases due to unforeseen circumstances. In the event revenues from customers could not satisfy the reimbursement requirements, Perth Amboy has Ad Valorem taxing powers, which could be used to raise the needed amount.

Critical Accounting Policies and Estimates

The application of accounting policies and standards often requires the use of estimates, assumptions and judgments. Changes in these variables may lead to significantly different financial statement results. Our critical accounting policies are set forth below.

Regulatory Accounting

We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for 87% of Operating Revenues and 99% of Total Assets, are subject to regulation in the state in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance provided in the Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting For the Effects of Certain Types of Regulation."

In accordance with SFAS No. 71, we defer costs and obligations if it is probable that these items will be recognized for rate-making purposes in future rates. Accordingly, we have recorded costs and obligations, which will be amortized over various future periods. Any change in the assessment of the probability of rate-making treatment will require us to change the accounting treatment of the deferred item. We do not believe any of the deferred items we have recorded will be treated differently by the regulators in the future.

Revenues

Revenues from metered customers include amounts billed on a cycle basis and unbilled amounts estimated from the last meter reading date to the end of the accounting period. The estimated unbilled amounts are determined by utilizing factors which include historical consumption usage and current climate conditions. Differences between estimated revenues and actual billings are recorded in a subsequent period.

Revenues from unmetered customers are billed at a fixed tariff rate in advance at the beginning of each service period and are recognized in revenue ratably over the service period.

Revenues from the City of Perth Amboy management contract are comprised of fixed and variable fees. Fixed fees, which have been set for the life of the contract, are billed monthly and recorded as earned. Variable fees, which are based on billings and other factors and are not significant, are recorded upon approval of the amount by the City.

Pension Plan

We maintain a noncontributory defined benefit pension plan which covers substantially all employees with more than 1,000 hours of service.

The discount rate utilized for determining future pension obligations has decreased from 7.25% at December 31, 2001 to 6.75% at December 31, 2002 to 6.00% at December 31, 2003. Lowering the discount rate by 0.5% would have increased the net periodic pension cost by \$0.1 million in 2003. Lowering the expected long-term rate of return on the pension plans by 0.5% (from 8.0% to 7.5%) would have increased the net periodic pension cost in 2003 by approximately \$0.1 million.

Future actual pension income will depend on future investment performance, changes in future discount rates and various other factors related to the population participating in the pension plans.

Accounting Standards

FASB issued SFAS No. 149, Amendments of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"), which amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 149 is generally effective after June 30, 2003. The adoption of SFAS 149 did not have any effect on our financial statements.

FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities And Equity ("SFAS 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have any effect on our financial statements.

In January 2003, FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements ("FIN 46"). The adoption of FIN 46 (as amended) is not expected to have any effect on our financial statements.

In December 2003, FASB issued SFAS No. 132 (Revised) Employees Disclosure about Pension and Other Postretirement Benefits, which expands the disclosure requirements of these employee benefits. The adoption of SFAS No. 132 (Revised) had no effect on our financial position or results of operations.

SFAS No. 143, "Accounting for Asset Retirement Obligations" became effective January 1, 2003. Upon adoption of SFAS No. 143, the fair value of a liability for an asset retirement obligation is required to be recorded. The Company collects the estimated removal costs of utility plant in rates through depreciation in accordance with regulatory treatment. At December 31, 2003, the Company reclassified the estimated removal costs of \$4.8 million from accumulated depreciation to a regulatory liability. At December 31, 2002, \$4.4 million was reclassified from accumulated depreciation to removal costs for utility plant retirement obligations. This reclassification had no impact on the Company's results of operations.

Qualitative and Quantitative Disclosures About Market Risk

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have final maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$1.1 million of the current portion of ten existing long-term debt instruments will mature. Combining this amount with the \$12.5 million in short-term debt outstanding at December 31, 2003, and applying a hypothetical change in the rate of interest charged by 10% on those borrowings, would not have a material effect on our earnings.

Report of Management

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

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

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

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

/s/ Dennis G. Sullivan

Dennis G. Sullivan
President

/s/ A. Bruce O'Connor

A. Bruce O'Connor
Vice President and
Controller

March 4, 2004

Item 7A. Qualitative and Quantitative Disclosure About Market Risk

This information is incorporated herein by reference to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 8. Financial Statements and Supplementary Data

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Middlesex Water Company

We have audited the accompanying consolidated balance sheets and statements of capital stock and long-term debt of Middlesex Water Company and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of income, common stockholders' equity and comprehensive income, and of cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10, the accompanying 2002 and 2001 financial statements have been restated.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
March 4, 2004

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS

December 31,	2003	Restated Note 10 2002
=====		
UTILITY PLANT:		
Water Production	\$ 77,265,782	\$ 72,212,878
Transmission and Distribution	174,455,437	158,412,075
General	19,776,293	18,618,211
Construction Work in Progress	2,798,070	6,619,767

TOTAL	274,295,582	255,862,931
Less Accumulated Depreciation	47,510,797	43,561,265

UTILITY PLANT - NET	226,784,785	212,301,666

NONUTILITY ASSETS - NET	4,147,685	3,424,492
=====		
CURRENT ASSETS:		
Cash and Cash Equivalents	3,005,610	2,937,894
Accounts Receivable	5,682,608	6,028,302
Unbilled Revenues	3,234,788	3,181,091
Materials and Supplies (at average cost)	1,419,142	1,190,337
Prepayments	1,009,304	815,392

TOTAL CURRENT ASSETS	14,351,452	14,153,016
=====		
DEFERRED CHARGES AND OTHER ASSETS:		
Unamortized Debt Expense	3,272,783	3,239,364
Preliminary Survey and Investigation Charges	1,380,771	1,098,468
Regulatory Assets	8,216,117	7,962,328
Operations Contracts Fees Receivable	699,806	--
Restricted Cash	3,825,420	6,146,699
Other	513,116	636,461

TOTAL DEFERRED CHARGES AND OTHER ASSETS	17,908,013	19,083,320

TOTAL ASSETS	\$263,191,935	\$248,962,494

See Notes to Consolidated Financial Statements.

CAPITALIZATION AND LIABILITIES

December 31,		2003	2002
=====			
CAPITALIZATION:	Common Stock, No Par Value	\$ 56,924,028	\$ 53,314,169
	Retained Earnings	22,668,348	23,187,076
	Accumulated Other Comprehensive Income, net of tax	50,808	--
	TOTAL COMMON EQUITY	79,643,184	76,501,245
	Preferred Stock	4,063,062	4,063,062
	Long-term Debt	97,376,847	87,483,382
	TOTAL CAPITALIZATION	181,083,093	168,047,689
=====			
CURRENT	Current Portion of Long-term Debt	1,067,258	639,427
LIABILITIES:	Notes Payable	12,500,000	17,650,000
	Accounts Payable	4,777,400	2,516,969
	Taxes Accrued	6,258,739	5,898,751
	Interest Accrued	1,810,639	1,614,278
	Unearned Revenues and Advanced Service Fees	602,854	416,589
	Other	678,596	842,589
	TOTAL CURRENT LIABILITIES	27,695,486	29,578,603
=====			
COMMITMENTS AND CONTINGENT LIABILITIES (Note 4)			
=====			
DEFERRED CREDITS:	Customer Advances for Construction	11,711,846	10,881,815
	Accumulated Deferred Investment Tax Credits	1,775,183	1,853,799
	Accumulated Deferred Income Taxes	14,125,970	13,241,901
	Employee Benefit Plans	5,086,988	5,279,737
	Regulatory Liability - Cost of Utility Plant Removal	4,830,308	--
	Utility Plant Retirement Obligations	--	4,358,262
	Other	909,498	814,897
	TOTAL DEFERRED CREDITS	38,439,793	36,430,411
=====			
CONTRIBUTIONS IN AID OF CONSTRUCTION		15,973,563	14,905,791
	TOTAL CAPITALIZATION AND LIABILITIES	\$263,191,935	\$248,962,494

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,	2003	2002	2001
OPERATING REVENUES	\$ 64,111,214	\$ 61,932,786	\$ 59,638,145
OPERATING EXPENSES:			
Operations	32,666,099	29,918,921	29,020,790
Maintenance	3,529,113	2,847,209	2,718,589
Depreciation	5,362,727	4,963,268	5,051,399
Other Taxes	7,815,918	7,737,155	7,594,427
Income Taxes	3,237,218	3,999,295	3,759,624
TOTAL OPERATING EXPENSES	52,611,075	49,465,848	48,144,829
OPERATING INCOME	11,500,139	12,466,938	11,493,316
OTHER INCOME (EXPENSE):			
Allowance for Funds Used During Construction	315,919	269,668	139,609
Other Income	131,499	249,324	520,165
Other Expense	(89,931)	(77,114)	(157,814)
TOTAL OTHER INCOME	357,487	441,878	501,960
INTEREST CHARGES:			
Interest on Long-term Debt	4,816,764	4,627,819	4,521,084
Amortization of Debt Expense	161,065	156,869	140,604
Other Interest Expense	249,201	358,775	380,604
TOTAL INTEREST CHARGES	5,227,030	5,143,463	5,042,292
NET INCOME	6,630,596	7,765,353	6,952,984
PREFERRED STOCK DIVIDEND REQUIREMENTS	254,786	254,786	254,786
EARNINGS APPLICABLE TO COMMON STOCK	\$ 6,375,810	\$ 7,510,567	\$ 6,698,198
EARNINGS AND DIVIDENDS PER SHARE OF COMMON STOCK:*			
Earnings per Share:			
Basic	\$ 0.61	\$ 0.73	\$ 0.66
Diluted	\$ 0.61	\$ 0.73	\$ 0.66
Average Number of Shares Outstanding :			
Basic	10,475,295	10,280,302	10,130,908
Diluted	10,818,435	10,623,442	10,474,048
Dividends Paid per Share	\$ 0.649	\$ 0.634	\$ 0.623

*All share and per share amounts reflect the three-for-two common stock split, effective January 2, 2002 and the four-for-three common stock split effective November 14, 2003.

See Notes to Consolidated Financials Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2003	Restated Note 10 2002	Restated Note 10 2001
	=====		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 6,630,596	\$ 7,765,353	\$ 6,952,984
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	5,633,863	5,436,525	5,303,536
Provision for Deferred Income Taxes	306,919	197,714	318,972
Allowance for Funds Used During Construction	(315,919)	(269,668)	(139,609)
Changes in Assets and Liabilities:			
Accounts Receivable	345,694	637,418	(1,274,456)
Unbilled Revenues	(53,697)	(380,076)	168,028
Materials & Supplies	(228,805)	(162,417)	(17,964)
Prepayments	(193,912)	54,301	(175,582)
Other Assets	275,802	(256,683)	42,724
Operations Contracts Receivable	(699,806)	--	--
Accounts Payable	2,260,431	(476,148)	373,023
Accrued Taxes	333,815	(432,126)	280,555
Accrued Interest	196,361	(199,618)	16,376
Employee Benefit Plans	(192,749)	17,061	604,312
Unearned Revenue & Advanced Service Fees	186,265	71,316	56,507
Other Liabilities	(236,431)	(803,949)	(198,954)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,248,427	11,199,003	12,310,452
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures*	(19,574,205)	(16,489,095)	(12,747,032)
Cash Surrender Value & Other Investments	(466,290)	(4,438)	(107,319)
Restricted Cash	2,321,158	2,843,996	(6,390,000)
Investment in Associated Companies	--	(20,618)	704,997
Proceeds from Real Estate Dispositions	532,922	--	111,843
Notes Receivable	--	--	97,500
Preliminary Survey & Investigation Charges	(282,303)	(154,846)	(370,494)
Other Assets	(47,264)	(47,561)	(183,488)
NET CASH USED IN INVESTING ACTIVITIES	(17,515,982)	(13,872,562)	(18,883,993)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	(884,427)	(6,443,836)	(215,859)
Proceeds from Issuance of Long-term Debt	11,205,723	6,067,350	6,390,000
Short-term Bank Borrowings	(5,150,000)	4,425,000	7,175,000
Deferred Debt Issuance Expenses	(194,484)	(510,818)	(11,440)
Common Stock Issuance Expense	(103,284)	(3,688)	--
Restricted Cash	121	219,588	(622)
Proceeds from Issuance of Common Stock	3,609,859	3,214,548	1,261,135
Payment of Common Dividends	(6,791,254)	(6,510,494)	(6,304,214)
Payment of Preferred Dividends	(254,786)	(254,786)	(254,786)
Construction Advances and Contributions-Net	1,897,803	874,205	571,557
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,335,271	1,077,069	8,610,771
NET CHANGES IN CASH AND CASH EQUIVALENTS	67,716	(1,596,490)	2,037,230
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,937,894	4,534,384	2,497,154
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,005,610	\$ 2,937,894	\$ 4,534,384

*Excludes Allowance for Funds Used During Construction
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash Paid During the Year for:			
Cash Paid for Interest	\$ 5,061,878	\$ 5,103,787	\$ 4,919,818
Interest Capitalized	\$ (315,919)	\$ (269,668)	\$ (139,609)
Income Taxes	\$ 2,472,000	\$ 4,237,000	\$ 3,674,792

See Notes to Consolidated Financial Statements.

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

December 31,	2003	2002
=====		
Common Stock, No Par Value		
Shares Authorized - 20,000,000		
Shares Outstanding* - 2003 - 10,566,937	\$ 56,924,028	
2002 - 10,356,489		\$ 53,314,169
Retained Earnings	22,668,348	23,187,076
Accumulated Other Comprehensive Income, net of tax	50,808	--

TOTAL COMMON EQUITY	79,643,184	76,501,245

Cumulative Preference Stock, No Par Value:		
Shares Authorized - 100,000		
Shares Outstanding - None		
Cumulative Preferred Stock, No Par Value		
Shares Authorized - 140,497		
Convertible:		
Shares Outstanding, \$7.00 Series - 14,881	1,562,505	1,562,505
Shares Outstanding, \$8.00 Series - 12,000	1,398,857	1,398,857
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1,017	101,700	101,700
Shares Outstanding, \$4.75 Series - 10,000	1,000,000	1,000,000

TOTAL PREFERRED STOCK	4,063,062	4,063,062

Long-term Debt		
8.05%, Amortizing Secured Note, due December 20, 2021	3,136,531	3,203,401
6.25%, Amortizing Secured Note, due May 22, 2028	10,255,000	--
4.22%, State Revolving Trust Note, due December 31, 2022	192,281	67,350
3.60%, State Revolving Trust Note, due May 1, 2025	580,792	--
4.00%, State Revolving Trust Bond, due September 1, 2021	820,000	850,000
0.00%, State Revolving Fund Bond, due September 1, 2021	690,833	730,017
First Mortgage Bonds:		
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
5.35%, Series W, due February 1, 2038	23,000,000	23,000,000
0.00%, Series X, due September 1, 2018	807,956	862,088
4.25%, Series Y, due September 1, 2018	965,000	1,010,000
0.00%, Series Z, due September 1, 2019	1,792,435	1,907,568
5.25%, Series AA, due September 1, 2019	2,175,000	2,265,000
0.00%, Series BB, due September 1, 2021	2,168,277	2,287,385
4.00%, Series CC, due September 1, 2021	2,360,000	2,440,000
5.10%, Series DD, due January 1, 2032	6,000,000	6,000,000

SUBTOTAL LONG-TERM DEBT	98,444,105	88,122,809

Less: Current Portion of Long-term Debt	(1,067,258)	(639,427)

TOTAL LONG-TERM DEBT	\$ 97,376,847	\$ 87,483,382

*All share amounts reflect the three-for-two common stock split, effective January 2, 2002 and the four-for-three common stock split, effective November 14, 2003.

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Stock Shares*	Common Stock Amount	Retained Earnings
	-----	-----	-----
Balance at January 1, 2001	10,097,067	\$48,838,486	\$ 21,796,707
Net Income			6,952,984
Dividend Reinvestment & Common Stock Purchase Plan	66,435	1,170,619	
Restricted Stock Award - Net	4,500	90,516	
Cash Dividends on Common Stock			(6,304,214)
Cash Dividends on Preferred Stock			(254,786)
	-----	-----	-----
Balance at December 31, 2001	10,168,002	50,099,621	22,190,691
Net Income			7,765,353
Dividend Reinvestment & Common Stock Purchase Plan	176,320	2,990,712	
Restricted Stock Award - Net	12,167	223,836	
Cash Dividends on Common Stock			(6,510,494)
Cash Dividends on Preferred Stock			(254,786)
Common Stock Expenses			(3,688)
	-----	-----	-----
Balance at December 31, 2002	10,356,489	53,314,169	23,187,076
Net Income			6,630,596
Change in Value of Equity Investments, Net of \$26,000 Income Tax			
Comprehensive Income			
Dividend Reinvestment & Common Stock Purchase Plan	192,515	3,263,569	
Restricted Stock Award - Net	17,933	346,290	
Cash Dividends on Common Stock			(6,791,254)
Cash Dividends on Preferred Stock			(254,786)
Common Stock Expenses			(103,284)
	-----	-----	-----
Balance at December 31, 2003	10,566,937	\$56,924,028	\$ 22,668,348
	=====	=====	=====
	Accumulated Other Comprehensive Income	Total	
	-----	-----	
Balance at January 1, 2001	\$ --	\$ 70,635,193	
Net Income		6,952,984	
Dividend Reinvestment & Common Stock Purchase Plan		1,170,619	
Restricted Stock Award - Net		90,516	
Cash Dividends on Common Stock		(6,304,214)	
Cash Dividends on Preferred Stock		(254,786)	
	-----	-----	
Balance at December 31, 2001	--	72,290,312	
Net Income		7,765,353	
Dividend Reinvestment & Common Stock Purchase Plan		2,990,712	
Restricted Stock Award - Net		223,836	
Cash Dividends on Common Stock		(6,510,494)	
Cash Dividends on Preferred Stock		(254,786)	
Common Stock Expenses		(3,688)	
	-----	-----	
Balance at December 31, 2002	--	76,501,245	
Net Income		6,630,596	
Change in Value of Equity Investments, Net of \$26,000 Income Tax	50,808	50,808	
Comprehensive Income		6,681,404	
Dividend Reinvestment & Common Stock Purchase Plan		3,263,569	
Restricted Stock Award - Net		346,290	
Cash Dividends on Common Stock		(6,791,254)	
Cash Dividends on Preferred Stock		(254,786)	
Common Stock Expenses		(103,284)	
	-----	-----	
Balance at December 31, 2003	\$ 50,808	\$ 79,643,184	
	=====	=====	

* All share amounts reflect the three-for-two common stock split, effective January 2, 2002 and the four-for-three common stock split, effective November 14, 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

Middlesex Water Company has operated as a water utility in New Jersey since 1897, and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate a New Jersey municipal water and wastewater system under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services in New Jersey and for water services in Delaware, as to the quality of water service we provide and as to certain other matters. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

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

(c) Utility Plant is stated at original cost as defined for regulatory purposes. Property accounts are charged with the cost of betterments and major replacements of property. Cost includes direct material, labor and indirect charges for pension benefits and payroll taxes. The cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties is charged to the appropriate expense accounts. At December 31, 2003, there was no event or change in circumstance that would indicate that the carrying amount of any long-lived asset was not recoverable.

(d) Depreciation is computed by each regulated member of the Company utilizing a rate approved by the applicable regulatory authority. The Accumulated Provision for Depreciation is charged with the cost of property retired, less salvage. The following table sets forth the range of depreciation rates for the major utility plant categories used to calculate depreciation for the years ended December 31, 2003, 2002 and 2001. These rates have been approved by either the BPU or PSC:

Source of Supply	1.15% - 3.44%	Transmission and Distribution (T&D):	
Pumping	2.87% - 5.04%	T&D - Mains	1.10% - 3.13%
Water Treatment	2.71% - 7.64%	T&D - Services	2.12% - 2.81%
General Plant	2.08% - 17.84%	T&D - Other	1.61% - 4.63%

(e) Customers' Advances for Construction - Water utility plant and/or cash advances are contributed to the Company by customers, real estate developers and builders in order to extend water service to their properties. These contributions are recorded as Customers' Advances for Construction. Refunds on these advances are made by the Company in accordance with agreements with the contributing party and are based on either additional operating revenues related to the utility plant or as new customers are connected

to and take service from the utility plant. After all refunds are made, any remaining balance is transferred to Contributions in Aid of Construction.

Contributions in Aid of Construction - Contributions in Aid of Construction include direct non-refundable contributions of water utility plant and/or cash and the portion of Customers' Advances for Construction that become non-refundable.

(f) Allowance for Funds Used During Construction (AFUDC) - Middlesex, Tidewater, Pinelands Water, Pinelands Wastewater and Bayview capitalize AFUDC, which represents the cost of financing projects during construction. AFUDC is added to the construction costs of individual projects exceeding specific cost and construction period thresholds established for each company and then depreciated along with the rest of the utility plant's costs over its estimated useful life. For the years ended December 31, 2003, 2002 and 2001 approximately \$0.3 million, \$0.3 million and \$0.1 million of AFUDC was added to the cost of construction projects. AFUDC is calculated using each company's weighted cost of debt and equity as approved in their most recent respective regulatory rate order. The average AFUDC rate for Middlesex, Tidewater and Bayview for the years ended December 31, 2003, 2002 and 2001 were 7.34%, 8.95% and 3.11%, respectively. Pinelands Water and Pinelands Wastewater did not incur AFUDC during the periods covered by this report.

(g) Accounts Receivable - The allowance for doubtful accounts at December 31, 2003, 2002 and 2001 was \$0.2 million, \$0.1 million and \$0.1 million, respectively. The corresponding expense for the year ended December 31, 2003, 2002 and 2001 was \$0.1 million, \$0.1 million and \$0.2 million, respectively.

(h) Revenues - General metered customer's bills typically are broken down into two components; a fixed service charge and a volumetric or consumption charge. Revenues from general metered service customers, except Tidewater, include amounts billed in arrears on a cycle basis and unbilled amounts estimated from the last meter reading date to the end of the accounting period. The estimated unbilled amounts are determined by utilizing factors which include historical consumption usage and current climate conditions. Actual billings may differ from our estimates. Revenues are adjusted in the period that the difference is identified. Tidewater customers are billed in advance for their fixed service charge and these revenues are recognized as the service is provided to the customer.

Bayview and Southern Shores are unmetered systems. Customers are billed a fixed service charge in accordance with the approved tariff. Southern Shore service charges are billed in advance at the beginning of each month. Bayview service charges are billed in advance at the beginning of each calendar quarter and are recognized in revenue ratably over the quarter. Revenues from the City of Perth Amboy management contract are comprised of fixed and variable fees. Fixed fees, which have been set for the life of the contract, are billed monthly and recorded as earned. Variable fees, which are not significant, are recorded upon approval of the amount by the City of Perth Amboy.

(i) Deferred Charges and Other Assets - Unamortized Debt Expense is amortized over the lives of the related issues. Restricted Cash represents proceeds from loans entered into through state financing programs and is held in trusts. The proceeds are restricted for specific capital expenditures and debt service requirements.

(j) Income Taxes - Middlesex files a consolidated federal income tax return for the Company and income taxes are allocated based on the separate return method. Investment tax credits have been deferred and are amortized over the estimated useful life of the related property.

(k) Statements of Cash Flows - For purposes of reporting cash flows, the Company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Cash and

cash equivalents represent bank balances and money market funds with investments maturing in less than 90 days.

(l) Use of Estimates - Conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

(m) The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 149, Amendments of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"), which amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 149 is generally effective after June 30, 2003. The adoption of SFAS 149 did not have any effect on our financial statements.

FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities And Equity ("SFAS 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have any effect on our financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements ("FIN 46"). The adoption of FIN 46 (as amended) did not have any effect on our financial statements.

In December 2003, the FASB issued SFAS No. 132 (Revised) Employees Disclosure about Pension and Other Postretirement Benefits, which expands the disclosure requirements of these employee benefits. The adoption of SFAS No. 132 (Revised) had no effect on our financial position or results of operations.

SFAS No. 143, "Accounting for Asset Retirement Obligations" became effective January 1, 2003. Upon adoption of SFAS No. 143, the fair value of a liability for an asset retirement obligation is required to be recorded. The Company collects the estimated removal costs of utility plant in rates through depreciation in accordance with regulatory treatment. At December 31, 2003, the Company reclassified the estimated removal costs of \$4.8 million from accumulated depreciation to a regulatory liability. At December 31, 2002, \$4.4 million was reclassified from accumulated depreciation to removal costs for utility plant retirement obligations. This reclassification had no impact on the Company's results of operations.

(n) Other Comprehensive Income - Total comprehensive income includes changes in equity that are excluded from the consolidated statements of income and are recorded into a separate section of capitalization on the consolidated balance sheets. The Company's accumulated other comprehensive income shown on the consolidated balance sheets consists of unrealized gains on investment holdings.

(o) Regulatory Accounting - We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for 87% of Operating Revenues and 99% of Total Assets, are subject to regulation in the state in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance provided SFAS No. 71, "Accounting For the Effects of Certain Types of Regulation."

(p) Pension Plan - We maintain a noncontributory defined benefit pension plan which covers substantially all employees with more than 1,000 hours of service. The discount rate utilized for determining pension

costs decreased from 7.75% for the year ended December 31, 2001 to 7.25% for the year ended December 31, 2002 to 6.75% for the year ended December 31, 2003. Future actual pension income will depend on future investment performance, changes in future discount rates and various other factors related to the population participating in the pension plans.

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

Note 2 - Rate and Regulatory Matters

Middlesex filed a 17.8% base rate increase petition with the BPU on November 5, 2003. Increased operating expenses and utility plant investment necessitated the rate increase request. Further, we filed a base rate increase petition with the BPU for both Pinelands companies on December 30, 2003, requesting an overall increase for those systems of 19.02%.

In accordance with the tariff established for Southern Shores, an annual rate increase of 2.8% was implemented on January 1, 2004. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%. Other than rates for the Southern Shores system, there can be no assurance that any rate increases will be granted or, if granted, that they will be in the amounts we requested.

Tidewater received approval for a 2.49% Distribution System Improvement Charge (DSIC) from the PSC, effective for services rendered on or after July 1, 2003. The DSIC is a separate rate mechanism that allows for cost recovery of certain capital improvement costs incurred in between base rate filings. Delaware regulated water utilities are allowed to apply for a DSIC every six months with the maximum increase limited to 5.0% in any six month period and a 7.5% overall limitation. The PSC approved an increase in Tidewater's DSIC to 4.89% of base rates from 2.49%, effective January 1, 2004.

Tidewater filed for a 24% base rate increase with the PSC in January 2002. The primary reasons driving the need for rate relief was the increase in the calculated rate base since the last rate case of \$11.3 million or 88.8%, and higher operations and maintenance expenses, particularly for water treatment and production. In accordance with PSC rules, an 8% interim rate increase was implemented in April 2002. The PSC determined that Tidewater was entitled to an additional 8.4% increase effective February 1, 2003 on top of the 8% interim increase for a total of 16.4% or \$1.1 million.

In the fall of 2002, the BPU approved a 76.7% base rate increase for the Bayview Water Company. This translates into additional revenues of less than \$0.1 million. Two-thirds of the increase was implemented on January 1, 2003 and the balance became effective July 1, 2003. The new rates are designed to allow for the recovery of operating costs and capital costs incurred to replace the entire water distribution system on Fortescue Island in Southern New Jersey. Middlesex had operated this 300-customer system as an interim custodial receiver from September 1997, until it was purchased on April 9, 2001.

We have recorded certain costs as regulatory assets because we believe we will be allowed full recovery of or are currently recovering these costs in the rates that we charge customers. These deferred costs have been excluded from rate base and, therefore, we are not earning a return on the unamortized balances.

Years Ended December 31,
(Thousands of Dollars)

Regulatory Assets	2003	2002	Remaining Recovery Periods
-----	----	----	-----
Income Taxes	\$6,786	\$6,288	Various
Postretirement Benefits	783	869	9 years
Tank Painting	198	249	4 years
Rate Cases and Other	449	556	Up to 3 years
	-----	-----	
Total	\$8,216	\$7,962	
	=====	=====	

The recovery period for income taxes is dependent upon when the temporary differences between tax and book will reverse.

Bayview, Pinelands Water and Pinelands Wastewater are recovering the acquisition premium of \$0.9 million over the remaining life of their Utility Plants. These deferred costs have been included in their rate bases as utility plant and are earning a return on the unamortized costs during the recovery periods.

Note 3 - Income Taxes

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

	Years Ended December 31, (Thousands of Dollars)		
	2003	2002	2001
-----	-----	-----	-----
Income Tax at Statutory Rate of 34%	\$ 3,355	\$ 4,000	\$ 3,642
Tax Effect of:			
Utility Plant Related	(171)	(123)	64
State Income Taxes - Net	106	80	30
Employee Benefits	(67)	25	(25)
Other	14	17	49
	-----	-----	-----
Total Income Tax Expense	\$ 3,237	\$ 3,999	\$ 3,760
	-----	-----	-----

Income tax expense is comprised of the following:

Current:			
Federal	\$ 2,835	\$ 3,730	\$ 3,499
State	95	82	20
Deferred:			
Federal	321	227	294
State	65	39	26
Investment Tax Credits	(79)	(79)	(79)
	-----	-----	-----
Total Income Tax Expense	\$ 3,237	\$ 3,999	\$ 3,760
	-----	-----	-----

The statutory review period for income tax returns for the years prior to 2000 has been closed.

Certain reclassifications of an immaterial nature were made between other taxes and income taxes in the consolidated statements of income for the years ended December 31, 2002 and 2001.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax purposes. The components of the net deferred tax liability are as follows:

	Years Ended December 31, (Thousands of Dollars)	
	2003	2002
Utility Plant Related	\$ 20,522	\$ 19,611
Customer Advances	(4,218)	(4,330)
Employee Benefits	(2,209)	(1,995)
Other	31	(44)
Total Deferred Tax Liability	\$ 14,126	\$ 13,242

The Company is required to set up deferred income taxes for all temporary differences regardless of the regulatory ratemaking treatment. Because management believes that it is probable that these additional taxes will be passed on to ratepayers, an offsetting regulatory asset of \$6.8 million and \$6.3 million has been recorded at December 31, 2003 and 2002 respectively.

Note 4 - Commitments and Contingent Liabilities

Guarantees - USA-PA operates the City of Perth Amboy's (Perth Amboy) water and wastewater systems under a service contract agreement through June 30, 2018. The agreement was effected under New Jersey's Water Supply Public/Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives a fixed fee and a variable fee based on increased system billing. Scheduled fixed fee payments for 2003, 2002 and 2001 were \$7.2 million, \$6.9 million and \$6.7 million, respectively. The fixed fees will increase over the term of the contract to \$9.7 million.

In connection with the agreement, Perth Amboy, through the Middlesex County Improvement Authority, issued approximately \$68.0 million in three series of bonds. Middlesex guaranteed one of those series of bonds, which are designated the Series C Serial Bonds, in the principal amount of approximately \$26.3 million. Perth Amboy guaranteed the two other series of bonds. The Series C Serial Bonds have various maturity dates with the final maturity date on September 1, 2015. As of December 31, 2003, approximately \$24.4 million of the Series C Serial Bonds remained outstanding.

We are obligated to perform under the guarantee in the event notice is received from the Series C Serial Bonds trustee of an impending debt service deficiency. If Middlesex funds any debt service obligations as guarantor, there is a provision in the agreement that requires Perth Amboy to reimburse us. There are other provisions in the agreement that we believe make it unlikely that we will be required to perform under the guarantee, such as scheduled annual rate increases for water and wastewater services as well as rate increases due to unforeseen circumstances. In the event revenues from customers could not satisfy the reimbursement requirements, Perth Amboy has Ad Valorem taxing powers, which could be used to raise the needed amount.

Franchise Agreement/Service Agreement - In 1999, Middlesex implemented a franchise agreement with the City of South Amboy (South Amboy) to provide water service and install water system facilities in South Amboy. The agreement between Middlesex and South Amboy was approved by the BPU. The implementation of the franchise agreement had significantly impacted two existing agreements entered into by the parties.

The first agreement was for the sale of water to South Amboy on a wholesale basis. The second agreement, which included Middlesex's wholly-owned subsidiary USA, was a contract to provide management services for a fixed fee. In conjunction with the franchise agreement, the water sales contract was eliminated. In addition, the management services contract was extended through May 2045 and significantly modified to correspond with the terms and conditions of the franchise agreement.

Fixed fee revenues recognized under the original contract have been eliminated in lieu of revenues earned from providing water to South Amboy's 2,600 customers.

Water Supply - Middlesex has revised and extended its agreement with the New Jersey Water Supply Authority (NJWSA) for the purchase of untreated water, effective January 1, 2004. The agreement now expires November 30, 2023 and provides an average purchase of 27 million gallons a day (mgd) up from 20 mgd. Pricing has been modified to include a two tier pricing schedule for the original 20 mgd and the additional 7 mgd. In addition, the agreement has provisions for additional pricing in the event the Company overdrafts or exceeds certain monthly and annual thresholds.

Middlesex also has an agreement with a nonaffiliated water utility for the purchase of treated water. This agreement, which expires December 31, 2005, provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

Purchased water costs are shown below:

	(Millions of Dollars)		
	Years Ended December 31,		
Purchased Water	2003	2002	2001

Untreated	\$2.0	\$1.9	\$2.0
Treated	1.8	1.8	1.7

Total Costs	\$3.8	\$3.7	\$3.7
	====	====	====

Construction - Based on its capital budget, the Company plans to spend approximately \$28.7 million in 2004, \$24.4 million in 2005 and \$14.1 million in 2006 on its construction program.

Litigation - A lawsuit was filed against the Company for damages involving the break of both a Company water line and an underground electric power cable containing both electric lines and petroleum based insulating fluid. The electric utility also asserted claims against the Company. The lawsuit was settled by agreement to submit plaintiff's claim for approximately \$1.1 million damages to binding arbitration, in which the agreed maximum exposure of the Company is \$0.3 million. While we are unable to predict the outcome of the arbitration, we believe that we have substantial defenses. We have not recorded any liability for the claim.

Another claim is pending involving a construction subcontractor, the Company's general contractor and the Company concerning a major construction project. The dispute relates to work required to be performed under a construction contract and related subcontracts and includes payment issues and timing/delay issues. The matter was instituted in 2001 and is pending in Superior Court, Middlesex County, New Jersey. We have estimated our maximum exposure in this litigation to be \$4.3 million. We believe that we have substantial defenses to a number of the asserted claims. It is reasonably possible that we may be responsible for some portion of the amount claimed, but significantly less than the maximum. We are unable, however, to determine this amount. Any amount in this matter which is determined to be due from us, will be recorded as an addition to utility plant in service, subject to recovery in rates charged to our customers. However, the outcome could have a material adverse effect on the Company's financial statements.

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

Note 5 - Short-term Borrowings

(Millions of Dollars)
2003 2002

	2003	2002
Established Lines at Year-End	\$25.0	\$30.0
Maximum Amount Outstanding	18.5	17.7
Average Outstanding	15.3	14.4
Notes Payable at Year-End	12.5	17.7
Weighted Average Interest Rate	1.89%	2.59%
Weighted Average Interest Rate at Year End	1.64%	2.22%

Year end interest rates on short-term borrowings outstanding ranged from 1.56% to 1.67% and 1.90% to 3.24% as of December 31, 2003 and 2002, respectively. The maturity dates for borrowings outstanding as of December 31, 2003 are: January 5, 2004; \$3.5 million and January 16, 2004: \$9.0 million.

The Board of Directors has authorized lines of credit for up to \$30.0 million. Short-term borrowings are below the prime rate with some requirements for compensating balances not exceeding 1% of the line.

Restricted cash includes proceeds from the Series Z, AA, BB, and CC First Mortgage Bonds and State Revolving Trust and Fund Bonds issuances. These funds are held in trusts and restricted for specific capital expenditures and debt service requirements. Series BB and CC proceeds can only be used for the 2004 main cleaning and cement lining programs.

Note 6 - Capitalization

All the transactions discussed below related to the issuance of securities were approved by the BPU, except where noted.

Common Stock

In August 2003, the Board of Directors approved a four-for-three stock split of its common stock, effective November 14, 2003 for shareholders of record on November 1, 2003. In October 2001, the Board of Directors approved a three-for-two common stock split effective January 2, 2002, for shareholders of record on December 14, 2001. All share, average number of shares and per share amounts of no par common stock on the financial statements have been restated to reflect the effect of both stock splits.

The number of shares authorized under the Dividend Reinvestment and Common Stock Purchase Plan (DRP) is 1,700,000 shares. The cumulative number of shares issued under the DRP at December 31, 2003, is 1,239,790. In each of 2003 and 2002 for specific six month periods, DRP participants had the opportunity to purchase the Company's common stock at a 5% discount with reinvested dividends and optional cash payments. The Company also has a restricted stock plan, which is described in Note 7 - Employee Benefit Plans.

In the event dividends on the preferred stock are in arrears, no dividends may be declared or paid on the common stock of the Company. At December 31, 2003, no preferred stock dividends were in arrears.

Preferred Stock

If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock. At December 31, 2003 and 2002, 37,898 shares of preferred stock presently authorized were outstanding. There were no dividends in arrears.

The conversion feature of the no par \$7.00 Series Cumulative and Convertible Preferred Stock allows the security holders to exchange one convertible preferred share for twelve shares of the Company's common stock. In addition, the Company may redeem up to 10% of the outstanding convertible stock in any

calendar year at a price equal to the fair market value of twelve shares of the Company's common stock for each share of convertible stock redeemed.

The conversion feature of the no par \$8.00 Series Cumulative and Convertible Preferred Stock allows the security holders to exchange one convertible preferred share for 13.714 shares of the Company's common stock. The preferred shares are convertible at the election of the security holder until 2004. After that date Middlesex also has the right to elect the conversion feature.

Long-term Debt

Tidewater received approval from the PSC to borrow \$13.8 million to fund a portion of its multi-year capital program and refinance some of its short-term debt. Subsequent to the PSC approval, Tidewater closed on a Delaware State Revolving Fund (SRF) loan of \$3.3 million in April 2003. The SRF program evolved from the Federal Environmental Protection Agency's (EPA) regulations issued under the Safe Drinking Water Act. Under this program, investor-owned public water utilities can apply for construction loans, which are funded by the participating state and the EPA through a state agency. The Delaware SRF program will allow, but does not obligate, Tidewater to draw down against a General Obligation Note for six specific projects. Tidewater will be charged an annual fee, which is a combination of interest charges and administrative fees, of 3.60% on the outstanding principal amount. All unpaid principal and fees must be paid on or before May 1, 2025.

In May 2003, Tidewater completed a loan transaction of \$10.5 million with CoBank, a financial institution specializing in loans to rural utilities. Terms of the loan include an interest rate of 6.25% and a maximum loan life of twenty-five years with monthly principal payments. The proceeds were used to retire short-term debt.

First Mortgage Bonds Series S through W and Series DD are term bonds with single maturity dates. The aggregate annual principal repayment obligations for all other long-term debt are shown below:

(Millions of Dollars)			
Year	Annual Maturities	Year	Annual Maturities
----	-----	----	-----
2004	\$ 1.1	2007	\$ 1.1
2005	\$ 1.1	2008	\$ 1.1
2006	\$ 1.1		

The weighted average interest rate on all long-term debt at December 31, 2003 and 2002 was 6.03% and 5.77%, respectively. Except for the Amortizing Secured Note and Series U First Mortgage Bonds, all of the Company's outstanding debt has been issued through the New Jersey Economic Development Authority (\$57.5 million), the New Jersey Environmental Infrastructure Trust program (\$11.8 million) and the SRF program (\$0.7 million).

Substantially all of the Utility Plant of the Company is subject to the lien of its mortgage, which also includes debt service and capital ratio covenants, certain restrictions as to cash dividend payments and other distributions on common stock. The Company is in compliance with all of its mortgage covenants and restrictions.

Earnings Per Share

The following table presents the calculation of basic and diluted earnings per share (EPS) for the three years ended December 31, 2003. Basic EPS are computed on the basis of the weighted average number of shares outstanding. Diluted EPS assumes the conversion of both the Convertible Preferred Stock \$7.00 Series and \$8.00 Series. All share and per share amounts reflect the three-for-two common stock split, effective January 2, 2002 and the four-for-three common stock split, effective November 14, 2003.

	(In Thousands of Dollars Except per Share Amounts)					
	2003		2002		2001	
Basic:	Income	Shares	Income	Shares	Income	Shares
Net Income	\$ 6,631	10,475	\$ 7,765	10,280	\$ 6,953	10,131
Preferred Dividend	(255)		(255)		(255)	
Earnings Applicable to Common Stock	\$ 6,376	10,475	\$ 7,510	10,280	\$ 6,698	10,131
Basic EPS	\$ 0.61		\$ 0.73		\$ 0.66	
Diluted:						
Earnings Applicable to Common Stock	\$ 6,376	10,475	\$ 7,510	10,280	\$ 6,698	10,131
\$7.00 Series Dividend	104	178	104	178	104	178
\$8.00 Series Dividend	96	165	96	165	96	165
Adjusted Earnings Applicable to Common Stock	\$ 6,576	10,818	\$ 7,710	10,623	\$ 6,898	10,474
Diluted EPS	\$ 0.61		\$ 0.73		\$ 0.66	

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 consolidated balance sheets for cash and cash equivalents, marketable securities, and trade receivables and payables approximate their respective fair values due to the short-term maturities of these instruments. The fair value of the Company's long-term debt relating to first mortgage bonds is based on quoted market prices for similar issues. The carrying amount and fair market value of the Company's bonds were as follows:

	(Thousands of Dollars)			
	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
First Mortgage Bonds	\$84,280	\$87,273	\$84,852	\$87,308

For other long-term debt for which there was no quoted market price, it was not practicable to estimate their fair value. The carrying amount of these instruments at December 31, 2003 and 2002 was \$14.2 million and \$3.3 million, respectively. Customer advances for construction have a carrying amount of \$11.7 million and \$10.9 million at December 31, 2003 and 2002, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

Note 7 - Employee Benefit Plans

Pension

The Company has a noncontributory defined benefit pension plan, which covers substantially all employees with more than 1,000 hours of service. In addition, the Company maintains an unfunded supplemental pension plan for its executives. The Accumulated Benefit Obligation for all pension plans at December 31, 2003 was \$19.8 million.

Postretirement Benefits Other Than Pensions

The Company has a postretirement benefit plan other than pensions for substantially all of its retired employees. Coverage includes healthcare and life insurance. Retiree contributions are dependent on credited years of service. Accrued retirement benefit costs are recorded each year.

The Company has recognized a deferred regulatory asset relating to the difference between the accrued retirement benefit costs and actual cash paid for plan premiums in years prior to 1998. Included in the regulatory asset is a transition obligation from adopting SFAS No.106 on January 1, 1993. In addition to the recognition of annual accrued retirement benefit costs in rates, Middlesex is also recovering the transition obligation over 15 years. The regulatory assets at December 31, 2003 and 2002, respectively were \$0.8 million and \$0.9 million.

The Company uses a December 31 measurement date for all of its employee benefit plans. The following table sets forth information relating to the Company's pension plans and other postretirement benefits:

	(Thousands of Dollars)			
	Pension Benefits		Other Benefits	
	2003	2002	2003	2002

Reconciliation of Projected Benefit Obligation				
Beginning Balance	\$ 19,677	\$ 18,471	\$ 7,437	\$ 6,415
Service Cost	684	724	263	222
Interest Cost	1,356	1,300	485	463
Actuarial (Gain)/Loss	3,039	23	1,645	657
Benefits Paid	(1,085)	(841)	(332)	(320)

Ending Balance	\$ 23,671	\$ 19,677	\$ 9,498	\$ 7,437

Reconciliation of Plan Assets at Fair Value				
Beginning Balance	\$ 15,846	\$ 17,796	\$ 2,065	\$ 1,442
Actual Return on Plan Assets	2,768	(1,671)	15	25
Employer Contributions	1,058	562	834	918
Benefits Paid	(1,085)	(841)	(332)	(320)

Ending Balance	\$ 18,587	\$ 15,846	\$ 2,582	\$ 2,065

Funded Status				
Unrecognized Net Transition Obligation	\$ (5,084)	\$ (3,831)	\$ (6,916)	\$ (5,372)
Unrecognized Net Actuarial (Gain)/Loss	--	--	1,217	1,353
Unrecognized Net Actuarial (Gain)/Loss	1,144	521	4,076	2,415
Unrecognized Prior Service Cost	264	356	(3)	(4)

Accrued Benefit Cost	\$ (3,676)	\$ (2,954)	\$ (1,626)	\$ (1,608)

(Thousands of Dollars)
Years Ended December 31,
Pension Benefits Other Benefits

	2003	2002	2001	2003	2002	2001

Components of Net Periodic Benefit Cost						
Service Cost	\$ 684	\$ 724	\$ 720	\$ 263	\$ 222	\$ 173
Interest Cost	1,356	1,300	1,324	485	463	426
Expected Return on Plan Assets	(1,272)	(1,281)	(1,448)	(175)	(125)	(90)
Amortization of Net Transition Obligation	--	2	14	135	135	135
Amortization of Net Actuarial (Gain)/Loss	--	--	(148)	143	111	76
Amortization of Prior Service Cost	92	92	111	--	--	--

Net Periodic Benefit Cost	\$ 860	\$ 837	\$ 573	\$ 851	\$ 806	\$ 720

	2003	2002	2001	2003	2002	2001
	----	----	----	----	----	----
Actual Return on Plan Assets	17.48%	(9.47%)	0.54%	0.77%	1.38%	3.73%
Weighted Average Assumptions:						
Expected Return on Plan Assets	8.00%	8.00%	8.00%	7.50%	7.50%	7.50%
Discount Rate for:						
Benefit Obligation	6.00%	6.75%	7.25%	6.00%	6.75%	7.25%
Benefit Cost	6.75%	7.25%	7.75%	6.75%	7.25%	7.75%
Compensation Increase for:						
Benefit Obligation	3.50%	3.50%	4.25%	3.50%	3.50%	4.25%
Benefit Cost	3.50%	4.25%	5.00%	3.50%	4.25%	5.00%

For measurement purposes, a 7.50% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2003 and declining by 0.5% per year to 5% by year 2008. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

	(Thousands of Dollars) 1 Percentage Point	
	Increase	Decrease
Effect on Current Year's Benefit Expense	\$ 150	\$ (115)
Effect on Benefit Obligation	1,130	(899)

Benefit Plans Assets

The pension plan asset allocations at December 31, 2003, and 2002, by asset category are as follows:

Asset Category	As of December 31,	
	2003	2002
Equity Securities	63.1%	55.7%
Debt Securities	33.4	40.6
Cash	3.5	3.7

Total	100.0%	100.0%
	=====	=====

Asset Category	Target	Range
	-----	-----
Equity Securities	60%	30-65%
Debt Securities	38	25-70%
Cash	2	0-10%

Middlesex utilizes two investment firms to manage its pension plan asset portfolio. Quarterly meetings are held between the Company's Pension Committee and the investment managers to review their performance and asset allocation. If the current asset allocation is outside the targeted range, the Pension Committee reviews current market conditions and advice provided by the investment managers to determine the appropriateness of rebalancing the portfolio.

The investment objective of the Company is to maximize its long-term return on pension plan assets, relative to a reasonable level of risk, maintain a diversified investment portfolio and invest in compliance with the Employee Retirement Income Security Act of 1974. The expected long-term rate of return is based on the various asset categories in which it invests and the current expectations and historical performance for these categories.

Middlesex expects to make cash contributions of approximately \$1.0 million in 2004.

Equity securities include Middlesex common stock in the amounts of \$0.8 million (4.2 percent of total plan assets) and \$0.7 million (4.1 percent of total plan assets) at December 31, 2003, and 2002, respectively.

The other postretirement benefits assets are invested primarily in short-term fixed government mutual funds. The Company is currently reviewing the funding and investment objectives for these benefits and anticipates changes will be implemented during the first quarter of 2004. The Company expects to make cash contributions of approximately \$1.0 million in 2004.

On December 8, 2003, the President of the United States signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retirees health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Under a Financial Accounting Standards Board Staff Position FSP FAS 106-1, issued on January 12, 2004, the Company has elected to defer accounting for the effects of the Act. Therefore, the measures of the postretirement benefit obligation and the net periodic postretirement benefit cost herein do not reflect the effects of the Act on the plan. Specific authoritative guidance on the accounting for the federal subsidy is pending, and that guidance, when issued, could require the Company to change previously reported information.

401(k) Plan

The Company has a 401(k) defined contribution plan, which covers substantially all employees with more than 1,000 hours of service. Under the terms of the Plan, the Company matches 100% of a participant's contributions, which do not exceed 1% of a participant's compensation, plus 50% of a participant's contributions exceeding 1% but not more than 6%. The Company's matching contributions in 2003, 2002 and 2001 amounted to \$0.2 million for each year.

Stock Based Compensation

The Company maintains a Restricted Stock Plan, under which 69,400 shares of the Company's common stock are held in escrow by the Company for key employees. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the grant other than as a result of retirement, death or disability.

The maximum number of shares authorized for grant under this plan is 240,000 shares. Compensation expense is determined by the market value of the stock on the date of the award and is being amortized over a five-year period. Compensation expense for each of the years ended December 31, 2003, 2002 and 2001 was \$0.3 million, \$0.2 million and \$0.2 million, respectively.

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123) the Company elected to account for its stock-based compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Had compensation costs for the Company's restricted stock plan been determined based on the methodology prescribed in SFAS No. 123, there would have been no effect on its results of operations or cash flows.

Note 8 - Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. It also operates a regulated wastewater system in New Jersey. The Company is subject to regulations as to its rates, services and other matters by the states of New Jersey and Delaware with respect to utility service within these states. The other segment is nonregulated 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:	(Thousands of Dollars)		
	Twelve Months Ended December 31, 2003	2002	2001
Revenues:			
Regulated	\$ 55,707	\$ 54,398	\$ 52,295
Non - Regulated	8,500	7,576	7,379
Inter-segment Elimination	(96)	(41)	(36)
Consolidated Revenues	\$ 64,111	\$ 61,933	\$ 59,638
Operating Income:			
Regulated	\$ 11,013	\$ 12,032	\$ 11,090
Non - Regulated	487	435	403
Consolidated Operating Income	\$ 11,500	\$ 12,467	\$ 11,493
Depreciation:			
Regulated	\$ 5,308	\$ 4,925	\$ 4,995
Non - Regulated	55	38	56
Consolidated Depreciation	\$ 5,363	\$ 4,963	\$ 5,051
Other Income:			
Regulated	\$ 506	\$ 474	\$ 496
Non - Regulated	(33)	22	62
Inter-segment Elimination	(116)	(54)	(56)
Consolidated Other Income	\$ 357	\$ 442	\$ 502
Interest Expense:			
Regulated	\$ 5,227	\$ 5,143	\$ 5,042
Non - Regulated	116	54	56
Inter-segment Elimination	(116)	(54)	(56)
Consolidated Interest Charges	\$ 5,227	\$ 5,143	\$ 5,042
Net Income:			
Regulated	\$ 6,292	\$ 7,361	\$ 6,544
Non - Regulated	339	404	409
Consolidated Net Income	\$ 6,631	\$ 7,765	\$ 6,953
Capital Expenditures:			
Regulated	\$ 19,002	\$ 16,060	\$ 12,649
Non - Regulated	572	429	98
Total Capital Expenditures	\$ 19,574	\$ 16,489	\$ 12,747

	As of December 31, 2003	As of December 31, 2002

Assets:		
Regulated	\$ 259,689	\$ 246,612
Non - Regulated	5,223	4,093
Inter-segment Elimination	(1,720)	(1,743)

Consolidated Assets	\$ 263,192	\$ 248,962

Note 9 - Quarterly Operating Results - Unaudited

Quarterly operating results for 2003 and 2002 are as follows:

	(Thousands of Dollars Except per Share Data)				
	1st	2nd	3rd	4th	Total

2003					

Operating Revenues	\$14,981	\$15,998	\$17,586	\$15,546	\$64,111
Operating Income	2,376	3,108	3,500	2,516	11,500
Net Income	1,225	1,804	2,393	1,209	6,631
Basic Earnings per Share*	\$ 0.11	\$ 0.17	\$ 0.22	\$ 0.11	\$ 0.61
Diluted Earnings per Share*	\$ 0.11	\$ 0.17	\$ 0.22	\$ 0.11	\$ 0.61

2002					

Operating Revenues	\$14,299	\$15,525	\$16,983	\$15,126	\$61,933
Operating Income	2,511	3,051	3,752	3,153	12,467
Net Income	1,277	1,889	2,572	2,027	7,765
Basic Earnings per Share*	\$ 0.12	\$ 0.18	\$ 0.24	\$ 0.19	\$ 0.73
Diluted Earnings per Share*	\$ 0.12	\$ 0.18	\$ 0.24	\$ 0.19	\$ 0.73

*All per share amounts reflect the three-for-two common stock split, effective January 2, 2002 and the four-for-three common stock split effective November 14, 2003.

The information above, in the opinion of the Company, includes all adjustments consisting only of normal recurring accruals necessary for a fair presentation of such amounts. The business of the Company is subject to seasonal fluctuation with the peak period usually occurring during the summer months.

Note 10 - Restatement of Consolidated Financial Statements

The consolidated financial statements as of December 31, 2002 and for the years ended December 31, 2002 and 2001 have been restated to correct the classification of certain amounts. The reclassifications were made to present the amount of Restricted Cash as a non current asset rather than a current asset in the consolidated balance sheet at December 31, 2002, and to present changes in Restricted Cash related to capital expenditures as an investing activity rather than a financing activity in the consolidated statement of cash flows for the years ended December 31, 2002 and 2001. Previously, such amounts and changes in amounts therein were presented as Temporary Cash Investments - Restricted. Those amounts and changes in those amounts are currently described as Restricted Cash. The restatement had no effect on reported total assets, net income, earnings applicable to common stock, cash flows from operations or liquidity.

A summary of the effects of the restatement is as follows:

CONSOLIDATED BALANCE SHEET	December 31, 2002	December 31, 2002
Current Assets	As Previously Reported	As Restated
Temporary Cash Investments - Restricted	\$ 6,146,699	\$ --
Total Current Assets	\$20,299,715	\$14,153,016
Deferred Charges and Other Assets		
Restricted Cash	\$ --	\$ 6,146,699
Total Deferred Charges and Other Assets	\$12,936,621	\$19,083,320

CONSOLIDATED STATEMENT OF CASH FLOWS, December 31,	2002	2002	2001	2001
Cash Flows From Investing Activities:	As Previously Reported	As Restated	As Previously Reported	As Restated
Restricted Cash	\$ --	\$ 2,843,996	\$ --	\$ (6,390,000)
Net Cash Used in Investing Activities:	\$ (16,614,999)	\$ (13,872,562)	\$ (12,517,023)	\$ (18,883,993)
Cash Flows From Financing Activities:				
Temporary Cash Investments - Restricted	\$ 3,063,584	\$ --	\$ (6,390,622)	\$ --
Restricted Cash	\$ --	\$ 219,588	\$ --	\$ (622)
Net Cash Provided by Financing Activities:	\$ 3,921,065	\$ 1,077,069	\$ 2,220,771	\$ 8,610,771

Certain other reclassifications of an immaterial nature for the years ended December 31, 2002 and 2001 were made between cash flows used in investing activities and cash flows provided by operating activities. As compared to amounts previously reported for the years ended December 31, 2002 and 2001, the aggregate amount of such reclassifications resulted in a net increase in net cash used in investing activities of \$101,559 (2002) and a net decrease in net cash used in investing activities of \$23,030 (2001).

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

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted by the Company's Chief Executive Officer along with the Company's Chief Financial Officer. 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 have been no significant changes in the Company's internal controls or in other factors, which could significantly affect internal controls during the quarter ended December 31, 2003, except for the following change in internal controls over financial reporting.

Management has identified a significant deficiency in the operation of internal controls over financial reporting relating to the classification of cash restricted for construction projects on the Consolidated Balance Sheet and the change in cash restricted for construction projects on the Consolidated Statements of Cash Flows. As a result thereof, management has expanded its periodic review process of asset classification and the appropriate presentation of changes in such assets to enhance the reliability and effectiveness of the financial reporting process.

Based upon the foregoing, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's internal controls over financial reporting are effective in meeting the objectives as described below based on the aforementioned changes in internal controls.

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 III

Item 10. Directors and Executive Officers of the Registrant

Information with respect to Directors of Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2004 Annual Meeting of Stockholders and is incorporated herein by reference.

Information regarding the Executive Officers of Middlesex Water Company is included under Item 1 in Part I of this annual report.

Item 11. Executive Compensation

This Information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2004 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2004 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2004 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2004 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

- (a) 1. The following Financial Statements and Supplementary Data are included in Part II, Item 8 of this annual report:

Consolidated Balance Sheets at December 31, 2003 and 2002 (Restated).

Consolidated Statements of Income for each of the three years in the period ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2003, 2002(Restated) and 2001(Restated).

Consolidated Statements of Capital Stock and Long-term Debt at December 31, 2003, and 2002.

Consolidated Statements of Common Stockholders Equity and Comprehensive Income for each of the three years in the period ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements.

- (a) 2. Financial Statement Schedules

All Schedules are omitted because of the absence of the conditions under which they are required or because the required information is shown in the financial statements or notes thereto.

- (a) 3. Exhibits

See Exhibit listing immediately following the signature page.

- (b) Reports on Form 8-K

Filed: February 2, 2004 - Earnings Release
February 10, 2004 - Postponement of Common Stock Offering

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MIDDLESEX WATER COMPANY

By: /s/ Dennis G. Sullivan/

Dennis G. Sullivan
President, Chief Executive Officer and Director

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

A. Bruce O'Connor
Vice-President, Controller and Chief Financial Officer

Date: April 14, 2004

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on April 14, 2004.

By: /s/ J. Richard Tompkins/

J. Richard Tompkins
Chairman of the Board and Director

By: /s/ Dennis G. Sullivan/

Dennis G. Sullivan
President, Chief Executive Officer and Director

By: /s/ Annette Catino/

Annette Catino
Director

By: /s/ John C. Cutting/

John C. Cutting
Director

By: /s/ John R. Middleton/

John R. Middleton
Director

By: /s/ John P. Mulkerin/

John P. Mulkerin
Director

By: /s/ Stephen H. Mundy/

Stephen H. Mundy
Director

By: /s/ Walter G. Reinhard/

Walter G. Reinhard
Director

By: /s/ Jeffries Shein/

Jeffries Shein
Director

EXHIBIT INDEX

Exhibits designated with an asterisk (*) are filed herewith. The exhibits not so designated have heretofore been filed with the Commission and are incorporated herein by reference to the documents indicated in the previous filing columns following the description of such exhibits. Exhibits designated with a dagger (†) are management contracts or compensatory plans.

Exhibit No.	Document Description	Previous Filing's Registration Exhibit	
		No.	No.
3.1	Certificate of Incorporation of the Company, as amended, filed as Exhibit 3.1 of 1998 Form 10-K.		
3.2	Bylaws of the Company, as amended.	33-54922	3.2
*3.3	Certificate of Correction of Middlesex Water Company filed with the State of New Jersey on April 30, 1999.		
*3.4	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on February 17, 2000.		
*3.5	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on June 5, 2002.		
4.1	Form of Common Stock Certificate.	2-55058	2(a)
4.2	Registration Statement, Form S-3, under Securities Act of 1933 filed February 3, 1987, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
4.3	Revised Prospectus relating to the Dividend Reinvestment and Common Stock Purchase Plan, Submitted to the Securities and Exchange Commission, January 20, 2000.	33-11717	
4.4	Post Effective Amendments No. 7, Form S-3, under Securities Act of 1933 filed February 1, 2002, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
10.1	Copy of Purchased Water Agreement between the Company and Elizabethtown Water Company, filed as Exhibit 10.1 of 1996 Form 10-K.		
†10.2	Copy of Mortgage, dated April 1, 1927, between the Company and Union County Trust Company, as Trustee, as supplemented by Supplemental Indentures, dated as of		

EXHIBIT INDEX

Exhibit No. -----	Document Description -----	Previous Filing's Registration Exhibit No.	Exhibit No. -----
	October 1, 1939 and April 1, 1949.	2-15795	4(a)-4(f)
10.3	Copy of Supplemental Indentures, dated as of July 1, 1964 and June 15, 1991, between the Company and Union County Trust Company, as Trustee.	33-54922	10.4-10.9
10.4	Copy of Supply Agreement, dated as of November 17, 1986, between the Company and the Old Bridge Municipal Utilities Authority.	33-31476	10.12
10.5	Copy of Supply Agreement, dated as of July 14, 1987, between the Company and the Marlboro Township Municipal Utilities Authority, as amended.	33-31476	10.13
10.6	Copy of Supply Agreement, dated as of February 11, 1988, with modifications dated February 25, 1992, and April 20, 1994, between the Company and the Borough of Sayreville filed as Exhibit No. 10.11 of 1994 First Quarter Form 10-Q.		
*10.7	Copy of Water Purchase Contract, dated as of September 25, 2003, between the Company and the New Jersey Water Supply Authority.		
10.8	Copy of Treating and Pumping Agreement, dated April 9, 1984, between the Company and the Township of East Brunswick.	33-31476	10.17
10.9	Copy of Supply Agreement, dated June 4, 1990, between the Company and Edison Township.	33-54922	10.24
10.10	Copy of Supply Agreement, between the Company and the Borough of Highland Park, filed as Exhibit No. 10.15 of 1996 Form 10-K.		
10.11	Copy of Supplemental Executive Retirement Plan, filed as Exhibit 10.13 of 1999 Third Quarter Form 10-Q.		
10.12	Copy of 1989 Restricted Stock Plan, filed as Appendix B to the Company's Definitive Proxy Statement, dated and filed April 25, 1997.	33-31476	10.22

EXHIBIT INDEX

Exhibit No. -----	Document Description -----	Previous Filing's Registration Exhibit	
		No. -----	No. -----
t10.13(a)	Change In Control Termination Agreement between Middlesex Water Company and Dennis G. Sullivan, filed as Exhibit 10.15(f) of 1999 Third Quarter Form 10-Q.		
t10.13(b)	Change In Control Termination Agreement between Middlesex Water Company and A. Bruce O'Connor, filed as Exhibit 10.15(c) of 1999 Third Quarter Form 10-Q.		
t10.13(c)	Change In Control Termination Agreement between Middlesex Water Company and Ronald F. Williams, filed as Exhibit 10.15(g) of 1999 Third Quarter Form 10-Q.		
t*10.13(d)	Change In Control Termination Agreement between Middlesex Water Company and Richard M. Risoldi.		
t*10.13(e)	Change In Control Termination Agreement between Middlesex Water Company and Kenneth J.Quinn.		
t*10.13(f)	Change In Control Termination Agreement between Middlesex Water Company and James P. Garrett.		
t*10.13(g)	Change In Control Termination Agreement between Tidewater Utilities, Inc. and Gerard L. Esposito.		
t*10.13(h)	Consulting Agreement between Middlesex Water Company and J. Richard Tompkins		
10.14	Copy of Transmission Agreement, dated October 16, 1992, between the Company and the Township of East Brunswick.	33-54922	10.23
10.15	Copy of Supplemental Indentures, dated September 1, 1993, (Series S & T) and January 1, 1994, (Series U & V), between the Company and United Counties Trust Company, as Trustee, filed as Exhibit No. 10.22 of 1993 Form 10-K.		
10.16	Copy of Trust Indentures, dated September 1, 1993, (Series S & T) and January 1, 1994, (Series V), between the New Jersey Economic Development Authority and First Fidelity Bank (Series S & T), as Trustee, and Midlantic National Bank (Series V), as Trustee, filed as Exhibit No. 10.23 of 1993 Form 10-K.		
10.17	Copy of Supplemental Indenture dated October 15, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Loan Agreement Dated November 1, 1998 between the New Jersey		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Filing's Registration Exhibit	
		No.	No.
	and Middlesex Water Company (Series X), filed as Exhibit No. 10.22 of the 1998 Third Quarter Form 10-Q.		
10.18	Copy of Supplemental Indenture dated October 15, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Loan Agreement dated November 1, 1998 between the State of New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series Y), filed as Exhibit No. 10.23 of the 1998 Third Quarter Form 10-Q.		
10.19	Copy of Operation, Maintenance and Management Services Agreement dated January 1, 1999 between the Company, City Of Perth Amboy, Middlesex County Improvement Authority and Utility Service Affiliates, Inc.	333-66727	10.24
10.20	Copy of Supplemental Indenture dated October 15, 1999 Between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement Dated November 1, 1999 between the State of New Jersey and Middlesex Water Company (Series Z), filed as Exhibit No. 10.25 of the 1999 Form 10-K.		
10.21	Copy of Supplemental Indenture dated October 15, 1999 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 1999 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series AA), Filed as Exhibit No. 10.26 of the 1999 Form 10-K.		
10.22	Copy of Supplemental Indenture dated October 15, 2001 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement Dated November 1, 2001 between the State of New Jersey and Middlesex Water Company (Series BB) filed as Exhibit 10.22 of the 2001 Form 10-K		
10.23	Copy of Supplemental Indenture dated October 15, 2001 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 2001 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series CC) filed as Exhibit 10.23 of the 2001 Form 10-K		
10.24	Copy of Supplemental Indenture dated January 15, 2002 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated January 1, 2002 between the New Jersey Economic Development Authority and Middlesex Water Company (Series DD) filed as Exhibit 10.24 of the 2001 Form 10-K		

EXHIBIT INDEX

Exhibit No. -----	Document Description -----	Previous Filing's Registration Exhibit	
		No. -----	No. -----
10.25	Copy of Supplemental Indenture dated March 1, 1998 Between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Trust Indenture dated March 1, 1998 between the New Jersey Economic Development Authority and PNC Bank, National Association, as Trustee (Series W), filed as Exhibit No. 10.21 of the 1998 Third Quarter Form 10-Q.		
*21	Middlesex Water Company Subsidiaries.		
*23	Independent Auditors' Consent.		
*31	Section 302 Certification by Dennis G. Sullivan Pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*31.1	Section 302 Certification by A. Bruce O'Connor Pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*32	Section 906 Certification by Dennis G. Sullivan Pursuant to 18 U.S.C.ss.1350		
*32.1	Section 906 Certification by A. Bruce O'Connor Pursuant to 18 U.S.C.ss.1350		

CERTIFICATE OF CORRECTION
OF
MIDDLESEX WATER COMPANY

To: Secretary of State
State of New Jersey

The Undersigned, hereby submits for filing, a Certificate of Correction, executed on behalf of the above-named Corporation, pursuant to the provisions of Section 14A:1-6(5) Corporations, General, of the New Jersey Statutes.

1. The Certificate to be corrected is:

Document	Filing Date
Certificate of Amendment to the Restated Certificate of Incorporation of Middlesex Water Company	June 10, 1998

2. The inaccuracies in the Certificate are:

- a. Section 2 includes materials not intended for inclusion in the Certificate of Incorporation.
- b. Part of Section 2 erroneously recites the proposed amendment as:

"The total authorized capital stock of the Company is 10,169,418, divided into 10,000,000 shares of common stock without nominal or par value, 69,418 shares of preferred stock without nominal or par value (out of 100,000 shares of preferred stock originally authorized) and 100,000 shares of preference stock without nominal or par value."

3. This Certificate of Correction provides (consistent with the amendment voted on by the Corporation's shareholders) that the first sentence of Article 7A of the Restated Certificate of Incorporation hereby reads as follows:

"ARTICLE 7A. The total authorized capital stock of the Company is 10,249,980 shares, divided into 10,000,000 shares of common stock without nominal or par value, 149,980 shares of preferred stock without nominal or par value and 100,000 shares of preference stock without nominal or par value."

Dated this 28th day of April, 1999.

MIDDLESEX WATER COMPANY

By: /s/ Marion F. Reynolds

Marion F. Reynolds
Vice President, Secretary and Treasurer

CERTIFICATE OF AMENDMENT
TO THE
RESTATED CERTIFICATE OF INCORPORATION
MIDDLESEX WATER COMPANY

To: The Secretary of State of the State of New Jersey.

Pursuant to the provisions of N.J.S.A. 14A:7-18 the undersigned Corporation executes the following Certificate of Amendment to its Restated Certificate of Incorporation:

1. The name of the Corporation is MIDDLESEX WATER COMPANY. The principal office of the Corporation is 1500 Ronson Road, Iselin, New Jersey 08830-3020.
2. 8,000 shares of the \$8.00 Series Cumulative and Convertible Preferred Stock of the Corporation have been converted into Common Stock and cancelled.
3. 1,483 shares of the \$7.00 Series Cumulative Preferred Stock of the Corporation have been redeemed and cancelled.
4. The date of adoption of the resolutions of the Board of Directors canceling such shares is January 27, 2000.
5. The aggregate number of authorized shares, including shares outstanding, itemized by classes and series, after giving effect to such cancellation, is as follows:

Class -----	Authorized Shares -----
Common Stock, No Par Value:	10,000,000
Cumulative Preferred Stock, No Par Value:	
\$7 Series	1,017 (Note A)
\$4.75 Series	10,000
Cumulative and Convertible Preferred Stock,	
\$7 Series	14,881 (Note B)
\$8 Series	12,000 (Note C)
All Series	140,497 (Note D)
Preference Stock, No Par Value:	100,000

6. The Restated Certificate of Incorporation provides that the shares cancelled shall not be reissued; and the Restated Certificate of Incorporation is amended by decreasing the aggregate number of shares which the corporation is authorized to issue by the number of shares cancelled.

Note A: Reflects an authorization of 2,500 shares reduced by the number of cancelled shares which are not to be reissued.

Note B: Reflects an authorization of 17,000 shares reduced by the number of cancelled shares which are not to be reissued.

Note C: Reflects an authorization of 20,000 shares reduced by the number of cancelled shares which are not to be reissued.

Note D: Reflects an authorization of 150,000 shares reduced by the number of cancelled shares which are not to be reissued.

MIDDLESEX WATER COMPANY

By: /s/ Marion F. Reynolds

Marion F. Reynolds
Vice President, Secretary &
Treasurer

Dated: January 27, 2000
(SEAL)

CERTIFICATE OF AMENDMENT
TO THE
RESTATED CERTIFICATE OF INCORPORATION
MIDDLESEX WATER COMPANY

TO: THE SECRETARY OF STATE OF THE STATE OF NEW JERSEY

Pursuant to the provisions of the N.J.S.A. 14A9-2(4) and N.J.S.A. 14A9-4(3), the undersigned Corporate executes the following Certificate of Amendment to the Restated Certificate of Incorporation:

1. The name of the Corporation is MIDDLESEX WATER COMPANY.

2. The following amendment to the Restated Certificate of Incorporation was approved by the Directors of the Corporation on February 26, 1998, and thereafter was duly adopted by the shareholders of the Corporation on May 22, 2002:

NOW, THEREFORE, BE IT RESOLVED that: the first sentence of ARTICLE 7A of the Restated Certificate of Incorporation be amended to read as follows:

"The total authorized capital stock of the Company is 20,240,497, divided into 20,000,000 shares of common stock without nominal or par value, 140,497 shares of preferred stock without nominal or par value (out of 100,000 shares of preferred stock originally authorized) and 100,000 shares of preference stock without nominal or par value."

FURTHER RESOLVED, that the said amendment of the Restated Certificate of Incorporation be submitted to a vote of the stockholders of this Corporation entitled to vote thereon, to wit, the holders of common stock of record at the close of business on March 29, 2002, at the Annual Meeting of Stockholders of this Corporation to be held on May 22, 2002.

3. The total number of shares entitled to vote thereon was 7,658,582.

4. The number of shares voting for, against and abstaining from such amendment is as follows:

For	Against	Abstain	Total
---	-----	-----	-----
6,102,598	202,877	50,652	6,356,127

IN WITNESS WHEREOF, the Company has made this Certificate of Amendment under its seal and the hands of its Chairman of the Board and its Secretary this 22nd day of May, 2002.

MIDDLESEX WATER COMPANY

By: /s/ J. Richard Tompkins

J. Richard Tompkins
Chairman of the Board

ATTEST:

/s/ Marion F. Reynolds

Marion F. Reynolds
Vice President, Secretary and Treasurer

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into as of July 15, 2003, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and Richard M. Risoldi, residing at 11 Lohli Drive, Hamilton Square, New Jersey 08690, (referred to as "You" in this Agreement).

Recitals

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. Term of Agreement. This Agreement shall commence as of July 15, 2003 and shall continue in effect through December 31, 2004. However, commencing on December 31, 2004, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it

-1-

does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect until your termination of employment with the Company or its successor or when all amounts due under this Agreement following a termination have been paid, whichever is later.

2. Change In Control. No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 25 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. Termination Following Change In Control. If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason, on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement: (i) you shall be entitled to the benefits provided in subsection 4.3 below if such termination occurs on or before the third anniversary of the Change in Control or (ii) you shall be entitled to the benefits provided in subsection 4.4 below if such termination occurs after the third anniversary of the Change in Control.

3.1 Disability; Retirement. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 Cause. Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 The willful and continued failure by you to substantially perform your duties with the Company as such employment was

performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

3.2.2 The willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company under the following circumstances:

3.3.1 The assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or

status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;

3.3.2 A reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;

3.3.3 Your relocation, without your consent, to a location not within twenty-five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;

3.3.4 The failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;

3.3.5 The failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control, or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;

3.3.6 The failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would

directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;

3.3.7 The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or

3.3.8 Any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

3.4 Notice of Termination. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.5 Date of Termination, Etc. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice

of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation on Termination or During Disability. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 On or before the third anniversary of the Change In Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason (as defined in Section 3.3 herein), then you shall be entitled to the benefits provided below:

4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.

4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up").

4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to the Change in Control for a period ending on the earlier to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.

4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.

4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.

4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.

4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 and 4.3.5 above, shall be made no later than the thirtieth (30th) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 After the third anniversary of the Change In Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason (as defined in Section 3.3 herein), then you shall be entitled to the benefits provided in Section 4.3 above and as otherwise provided under this Agreement except that sub paragraph 4.3.2(i) shall read: (i) a lump sum severance payment equal to one and one half (1.5) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination (the "Termination Payment").

4.5 For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.

4.6 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.7 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits in accordance with the terms of those plans.

5. Successors; Binding Agreement.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. Notice. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance with this Agreement, except that notice of a change of address shall be effective only on receipt.

7. Miscellaneous

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ Dennis G. Sullivan

Dennis G. Sullivan
President

ATTEST:

/s/ MF Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ Richard M. Risoldi

Richard M. Risoldi

(KJQ\Change in Control-Risoldi)

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into as of July 15, 2003, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and Kenneth J. Quinn, residing at 224 Stonehurst Boulevard, Freehold, New Jersey 07728, (referred to as "You" in this Agreement).

Recitals

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. Term of Agreement. This Agreement shall commence as of July 15, 2003 and shall continue in effect through December 31, 2004. However, commencing on December 31, 2004, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it

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does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect until your termination of employment with the Company or its successor or when all amounts due under this Agreement following a termination have been paid, whichever is later.

2. Change In Control. No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 25 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. Termination Following Change In Control. If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason, on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement: (i) you shall be entitled to the benefits provided in subsection 4.3 below if such termination occurs on or before the eighteen (18) month anniversary of the Change in Control or (ii) you shall be entitled to the benefits provided in subsection 4.4 below if such termination occurs after the eighteen (18) month anniversary of the Change in Control.

3.1 Disability; Retirement. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 Cause. Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 The willful and continued failure by you to substantially perform your duties with the Company as such employment was

performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

3.2.2 The willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company under the following circumstances:

3.3.1 The assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or

status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;

3.3.2 A reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;

3.3.3 Your relocation, without your consent, to a location not within twenty-five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;

3.3.4 The failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;

3.3.5 The failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control, or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;

3.3.6 The failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would

directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;

3.3.7 The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or

3.3.8 Any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

3.4 Notice of Termination. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.5 Date of Termination, Etc. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice

of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation on Termination or During Disability. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 On or before the eighteen (18) month anniversary of the Change In Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason (as defined in Section 3.3 herein), then you shall be entitled to the benefits provided below:

4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.

4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination (or if employed less than 5 years, the average annualized compensation of the period worked to date), plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up").

4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to the Change in Control for a period ending on the earlier to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.

4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.

4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.

4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.

4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 and 4.3.5 above, shall be made no later than the thirtieth (30th) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 After the eighteen (18) month anniversary of the Change In Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason (as defined in Section 3.3 herein), then you shall be entitled to the benefits provided in Section 4.3 above and as otherwise provided under this Agreement except that sub paragraph 4.3.2(i) shall read: (i) a lump sum severance payment

equal to one and one half (1.5) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination (the "Termination Payment").

4.5 For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.

4.6 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.7 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits in accordance with the terms of those plans.

5. Successors; Binding Agreement.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this

Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. Notice. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance this Agreement, except that notice of a change of address shall be effective only on receipt.

7. Miscellaneous

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ Dennis G. Sullivan

Dennis G. Sullivan
President

ATTEST:

/s/ MF Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ Kenneth J. Quinn

Kenneth J. Quinn

(KJQ\Change in Control-Quinn)

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into as of July 15, 2003, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and James P. Garrett, residing at 550 Kiowa Drive, Franklin Lakes, New Jersey 07417, (referred to as "You" in this Agreement).

Recitals

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. Term of Agreement. This Agreement shall commence as of July 15, 2003 and shall continue in effect through December 31, 2004. However, commencing on December 31, 2004, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it

-1-

does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect until your termination of employment with the Company or its successor or when all amounts due under this Agreement following a termination have been paid, whichever is later.

2. Change In Control. No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 25 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. Termination Following Change In Control. If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason, on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement: (i) you shall be entitled to the benefits provided in subsection 4.3 below if such termination occurs on or before the first anniversary of the Change in Control or (ii) you shall be entitled to the benefits provided in subsection 4.4 below if such termination occurs after the first anniversary of the Change in Control.

3.1 Disability; Retirement. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 Cause. Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 The willful and continued failure by you to substantially perform your duties with the Company as such employment was

performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

3.2.2 The willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company under the following circumstances:

3.3.1 The assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or

status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;

3.3.2 A reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;

3.3.3 Your relocation, without your consent, to a location not within twenty-five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;

3.3.4 The failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;

3.3.5 The failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control, or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;

3.3.6 The failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would

directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;

3.3.7 The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or

3.3.8 Any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

3.4 Notice of Termination. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.5 Date of Termination, Etc. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice

of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation on Termination or During Disability. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 On or before the first anniversary of the Change In Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason (as defined in Section 3.3 herein), then you shall be entitled to the benefits provided below:

4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.

4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination (or if employed less than 5 years, the average annualized compensation of the period worked to date), plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up").

4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to the Change in Control for a period ending on the earlier to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.

4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.

4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.

4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.

4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 and 4.3.5 above, shall be made no later than the thirtieth (30th) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 After the first anniversary of the Change In Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason (as defined in Section 3.3 herein), then you shall be entitled to the benefits provided in Section 4.3 above and as otherwise provided under this Agreement except that sub paragraph 4.3.2(i) shall read: (i) a lump sum severance payment equal to one and

one half (1.5) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination (the "Termination Payment").

4.5 For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.

4.6 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.7 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits in accordance with the terms of those plans.

5. Successors; Binding Agreement.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this

Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. Notice. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance this Agreement, except that notice of a change of address shall be effective only on receipt.

7. Miscellaneous

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ Dennis G. Sullivan

Dennis G. Sullivan
President

ATTEST:

/s/ MF Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ James P. Garrett

James P. Garrett

(KJQ\Change in Control-Garrett)

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into as of July 15, 2003, between Tidewater Utilities, Inc., a Delaware corporation, with its principal place of business located at 1100 South Little Creek Road, Dover, Delaware 19901, (the "Company"), and Gerard L. Esposito, residing at 18 Victoria Drive, Milford, Delaware 19963, (referred to as "You" in this Agreement).

Recitals

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. Term of Agreement. This Agreement shall commence as of July 15, 2003 and shall continue in effect through December 31, 2004. However, commencing on December 31, 2004, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it

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does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect until your termination of employment with the Company or its successor or when all amounts due under this Agreement following a termination have been paid, whichever is later.

2. Change In Control. No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if Middlesex Water Company ("Middlesex") or any of its affiliates ceases to hold beneficial ownership of 50 percent or more of the voting shares of the Company, or if any party or group acquires beneficial ownership of 25 percent or more of the voting shares of Middlesex; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. Termination Following Change In Control. If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason, on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement: (i) you shall be entitled to the benefits provided in subsection 4.3 below if such termination occurs on or before the third anniversary of the Change in Control or (ii) you shall be entitled to the benefits provided in subsection 4.4 below if such termination occurs after the third anniversary of the Change in Control.

3.1 Disability; Retirement. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 Cause. Termination by the Company of your employment for "Cause" shall mean termination on:

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3.2.1 The willful and continued failure by you to substantially perform your duties with the Company as such employment was performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

3.2.2 The willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company under the following circumstances:

3.3.1 The assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the

Company, or (iii) a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;

3.3.2 A reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;

3.3.3 Your relocation, without your consent, to a location not within twenty-five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;

3.3.4 The failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;

3.3.5 The failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control, or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;

3.3.6 The failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the

Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;

3.3.7 The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or

3.3.8 Any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

3.4 Notice of Termination. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.5 Date of Termination, Etc. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date

the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation on Termination or During Disability. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 On or before the third anniversary of the Change In Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason (as defined in Section 3.3 herein), then you shall be entitled to the benefits provided below:

4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.

4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up").

4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to the Change in Control for a period ending on the earlier to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.

4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.

4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.

4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.

4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 and 4.3.5 above, shall be made no later than the thirtieth (30th) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 After the third anniversary of the Change In Control, if your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason (as defined in Section 3.3 herein), then you shall be entitled to the benefits provided in Section 4.3 above and as otherwise provided under this Agreement except that sub paragraph 4.3.2(i) shall read: (i) a lump sum severance payment equal to one and one half (1.5) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination (the "Termination Payment").

4.5 For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.

4.6 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.7 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits in accordance with the terms of those plans.

5. Successors; Binding Agreement.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. Notice. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance with this Agreement, except that notice of a change of address shall be effective only on receipt.

7. Miscellaneous

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

TIDEWATER UTILITIES, INC.

By: /s/ Dennis G. Sullivan

Dennis G. Sullivan
Chairman of the Board

ATTEST:
/s/ MF Reynolds

Marion F. Reynolds
Secretary

/s/ Gerard L. Esposito

Gerard L. Esposito

(KJQ\Change in Control-Esposito)

This Consulting Agreement (the "Agreement") is entered into as of the 23rd day of January, 2003, by and between J. Richard Tompkins (the "Consultant") and Middlesex Water Company (the "Company").

WHEREAS, the Consultant has served as CEO of the Company up to his retirement as of January 31, 2003; and

WHEREAS, the Company desires to enter into a consulting agreement with the Consultant following his retirement upon the terms and conditions set forth herein; and

WHEREAS, at the time of his retirement, the Consultant was the beneficial owner of 10,950 shares of Restricted Stock of the Company which is held by the Company in escrow (the "Restricted Stock"); and

WHEREAS, the Company has the right to reacquire those shares of Restricted Stock which were not held by the Consultant for five years prior to his retirement from the Company; and

WHEREAS, the Consultant has requested the Company to waive its right to reacquire the Restricted Stock, and the Company has agreed to consider such request subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein; and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. The Consultant hereby acknowledges that the Company has the right to reacquire the Restricted Stock upon the Consultant's retirement at no cost to the Company. In consideration of the terms and conditions set forth herein, the Company is willing to waive its right to reacquire such Restricted Stock and is willing to distribute the Restricted Stock to the Consultant at such times and upon such terms as hereinafter set forth.
2. Commencing February 1, 2003 and continuing up to and including January 31, 2004, the Consultant shall act as a consultant to the Company for which he will receive a fee of \$50,000 per year. Although the parties have not specified a fixed time for such consulting services, it is contemplated that the Consultant will be available for such consulting services approximately three days per month based on a value of approximately \$1,200 to \$1,500 per day.
3. During the consulting period, the Consultant will be available to review correspondence, render advice on projects as requested by the Company, attend various meetings as requested by the Company, and in general, to perform any and all such other services as the Company may reasonably require of the Consultant as a consultant to the Company.
4. During the period of the consulting agreement referred to above, and continuing for a two-year period thereafter, the Consultant agrees that he will not directly, or indirectly, in any individual or representative capacity, carry on, engage or participate in any business in the State of New Jersey and Delaware that is in direct competition in any manner whatsoever with the business of the Company, except as may be expressly agreed to in writing by the Company.
5. Unless the Consultant fails to perform his obligations and duties as set forth in this Agreement, the Company agrees to release from escrow and to distribute shares of Restricted Stock to the Consultant in accordance with the following schedule:

<input checked="" type="checkbox"/>	On October 1,	2003 - 2,750 Shares
<input checked="" type="checkbox"/>	On October 1,	2004 - 2,750 Shares
<input checked="" type="checkbox"/>	On October 1,	2005 - 2,750 Shares
<input checked="" type="checkbox"/>	On February 1, 2006 -	2,700 Shares
6. In the event of the disability (as defined under the Company's 1989 Restricted Stock Plan, as the same may be amended from time to time, herein the "Plan") of the Consultant during the term of this Agreement, or in the event of a Change in Control Event as defined in the Plan, the right of the Company to reacquire the Restricted Stock shall lapse and cease to be effective. Upon the occurrence of either such event, the balance of the Restricted Stock shall be released from escrow and delivered to the Consultant. Additionally, in the event that the Consultant should die during the term of this Agreement, the right of the Company to reacquire the Restricted Stock shall lapse and cease to be effective, and the balance of the Restricted Stock then held in escrow shall be paid to the Consultant's beneficiary as

provided for under the Plan.

7. This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof, and this Agreement supercedes all prior communications, representations or agreements, verbal or written between the parties relating to the subject matter hereof.

8. This Agreement is for the benefit of the Consultant and the Company and will be governed by and construed in accordance with the laws of the State of New Jersey. Neither party may assign or otherwise transfer its rights or delegate its duties under this Agreement without prior written consent, and any attempt to do so without consent is void.
9. Each party acknowledges that he or it has had the opportunity to review the provisions of this Agreement with independent advisors (financial, legal or otherwise) prior to the execution of this Agreement by each such party.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement as of the date first written above.

MIDDLESEX WATER COMPANY

By: /s/ Dennis G. Sullivan

Dennis G. Sullivan
President

By: /s/ J. Richard Tompkins

J. Richard Tompkins

WATER PURCHASE CONTRACT RBS-2A

THIS WATER PURCHASE CONTRACT is made this 25th day of September, 2003 by and between the New Jersey Water Supply Authority (the "Authority"), an instrumentality of the State of New Jersey created pursuant to the provisions of the New Jersey Water Supply Authority Act, P.L. 1981, C. 293, as amended, N.J.S.A. 1B ss.58:1B-1 et seq. and Middlesex Water Company ("Middlesex"), a corporation existing under the laws of the State of New Jersey (also referred to herein as "the Purchaser").

BACKGROUND

Pursuant to the Authority Act, the Authority was established for the express purpose of operating water supply facilities, including those water supply facilities theretofore operated by the State. In accordance with the Authority Act, the Authority operates, inter alia, the System.

In connection with the operation of the System, the Authority, both in its own right and as the successor to the water supply facilities of the State, is a party with various System Water Purchasers, including the Purchaser, to Existing Contracts pursuant to which the Authority makes water available for purchase by such System Water Purchasers.

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The Authority contemplates from time to time, undertaking various improvements to the System and in connection therewith, expects to adopt a Resolution which will authorize, inter alia, the issuance of Bonds for the purpose of making funds available to finance various projects for the System. Pursuant to a Bond Resolution, certain of the revenues received by the Authority from System Water Purchasers will be pledged by the Authority to pay the principal of and interest on Bonds.

The parties hereto are entering into this Contract, which is one of several Water Purchase Contracts to be entered into by the Authority with System Water Purchasers, in order (i) to supercede the Existing Contracts between the Authority and the Purchaser and (ii) to provide for the sale to and purchase of water by the Purchaser consistent with the Purchaser's projected needs.

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

SECTION 1. Definitions.

Unless the context clearly establishes otherwise, the following terms, when used in this Contract or in the Background hereto, shall have the following meanings:

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"Annual Budget" means the annual budget of the Authority relating to the System (which shall include all costs, obligations and expenses properly allocable to the System in accordance with generally accepted accounting principles and cost allocation principles), as amended or supplemented, adopted or in effect for a particular Fiscal Year.

"Annual Payment" means the aggregate amount projected by the Authority to be payable to the Authority by the Purchaser for Uninterruptible Service during each Annual Payment Period, which Annual Payment shall be determined by (a) multiplying the applicable rates and charges for Uninterruptible Service set forth in the Rate Schedule in effect during the relevant Annual Payment Period by the number of MG of water contracted for by the Purchaser for Uninterruptible Service on an annual basis as set forth in this Contract, subject to adjustment to reflect any special allocations, charges, credits or adjustments provided for pursuant to the provisions of this Contract or any Rate Schedule, which may include but not be limited to: (i) adjustments based upon the water being derived from the System within the Delaware River Basin; (ii) debt service allocated specifically to those customers of the Authority who benefit from the debt to which such debt service relates; and (iii) for withdrawals within the Raritan Basin, an evaluation of

the equivalent sustained supply and the application of an appropriate production factor, all as contemplated by and/or set forth in the Rate Schedule and (b) adding thereto any charges for access to the System and any other charges imposed on the Purchaser by this Contract.

"Annual Payment Period" means the calendar year, commencing January 1, 2004 during which Uninterruptible Service is to be provided to the Purchaser hereunder.

"Annual Requirements" means the aggregate amount required during each Annual Payment Period to pay, or make provision for, all (i) Operation and Maintenance Expenses; (ii) Debt Service; and (iii) other requirements of the System required to be paid as is set forth in the Resolution, or in any Rate Schedule, or in any documents relating to Other Indebtedness, including but not limited to amounts required to meet the rate covenant set forth in Section 713 of the Resolution; provided, however, that the amount to be included for Debt Service in each Annual Payment Period shall be that amount accruing in the Bond Year or Bond Years, or corresponding portion thereof, commencing during the Fiscal Year within which such Annual Payment Period or portion thereof falls.

"Authority" means the New Jersey Water Supply Authority established pursuant to the Authority Act.

"Authority Act" means the "New Jersey Water Supply Authority Act", P.L. 1981, c.293, as amended (N.J.S.A. 58:1B-1 et -- seq.).

"Authorized Officer" means the Chairman, Vice Chairman, Treasurer, Secretary or Executive Director of the Authority or any person or persons designated by the Authority to act on behalf of the Authority.

"Bonds" means all bonds, notes or other evidences of indebtedness issued by the Authority and outstanding under the Resolution and each Supplemental Resolution to finance or refinance any cost, expense or liability paid or incurred or to be paid or incurred by the Authority in connection with the financing, planning, designing, constructing, acquiring, operating or maintaining of any part of the System.

"Bond Year" means, with respect to any Bonds, the twelve-month period (and such shorter initial period, if any) established with respect to the issuance of such Bonds in a Supplemental Resolution, and with respect to Other Indebtedness, the twelve-month period (and such shorter initial period, if any) established with respect to the issuance of such Other Indebtedness in the documents relating to the issuance of such Other Indebtedness.

"Credit Facility" means a policy of municipal bond insurance, a letter of credit, a surety bond, a loan agreement, a standby bond

purchase agreement or other type of credit agreement, facility, insurance or guaranty arrangement pursuant to which funds can be obtained to pay the principal or redemption price of Bonds or Other Indebtedness and interest thereon.

"Debt Service" for any period means, as of any date of calculation, with respect to (A) Outstanding Bonds, an amount equal to the sum of (i) the interest accruing during such period on such Bonds, and (ii) that portion of the principal of such Bonds accruing during such period, all as is set forth in the Resolution and (B) Other Indebtedness, an amount equal to (i) the interest accruing during such period on such Other Indebtedness and (ii) that portion of the principal accruing on such Other Indebtedness during such period, all as is set forth in the documents relating to the issuance of such Other Indebtedness.

"Department" means the New Jersey Department of Environmental Protection.

"Division" means the Water Supply Administration in the Department.

"Event of Default" means a default by the Purchaser of the provisions of this Contract as a result of the occurrence of any of the events set forth in Section 10 hereof.

"Existing Contracts" means the existing water use contracts

for the System between the Authority and System Water Purchasers covering the provisions of water from the System.

"Fiscal Year" means the twelve-month period commencing on July 1 of each year and continuing through the following June 30.

"Force Majeure" means acts of God, strikes, lockouts or other industrial disturbances; orders of the Government of the United States or the State or any agency or instrumentality thereof or of any civil or military authority; acts of terrorism, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts and explosions; breakage or accidents to machinery, pipelines, dams or canals, other than as a result of the negligence of the party claiming inability to comply with its obligations; partial or entire failure of water supply, other than as a result of the negligence of the party claiming inability to comply with its obligations; arrests, civil disturbances; acts of any public enemy; and any other events not reasonably within the control of and not as a result of the negligence of the party claiming inability to comply with its obligations.

"GPM" means gallons of water per minute.

"General Fund" means the fund denominated as such and created pursuant to the Resolution.

"Liquidity Facility" means an irrevocable letter of credit or other irrevocable Credit Facility issued by a financial institution or insurance company, which letter of credit or Credit Facility is payable on demand in the event the terms under which such letter of credit or Credit Facility was issued require payment thereunder.

"Major Rehabilitation Fund" means the fund denominated as such and created pursuant to the Resolution.

"MG" means million gallons of water.

"MGD" means million gallons of water per day.

"Minimum Dependable or Safe Yield" means that amount of water, from time to time determined by the Authority in accordance with applicable laws or regulations and presently estimated to be 225 MGD, which the System is capable of supplying continuously throughout a repetition of the most severe drought of record.

"Monthly Water Payments" means either (i) the amount obtained by dividing the amount of the Annual Payment for any Fiscal Year by twelve or (ii) such other or different required monthly payments for which the Authority gives notice to the Purchaser pursuant to Sections 4B, or 4E hereof.

"Operation and Maintenance Expenses" for any period means the amount (as set forth in the Annual Budget of the Authority, as from time to time amended) of all current costs, obligations and

expenses of, or arising in connection with, the (i) operation, maintenance and administration of the System, and minor additions or improvements thereof or thereto, or (ii) performance of any Water Purchase Contract, including, but not limited to, the items set forth herein below and items set forth in the Resolution as Operation and Maintenance Expenses, in each case, to the extent properly allocable to the System and, as applicable, determined on the cash basis of accounting and/or in accordance with generally accepted accounting and cost allocation principles:

(i) all repairs and ordinary replacements and reconstruction of the System; all wages, salaries and other personnel costs, including costs of pension, retirement, health and other employee benefit programs; all fuel, utilities, supplies and equipment; and all supervisory, engineering, accounting, auditing, legal and financial advisory services;

(ii) all taxes and payments in lieu of taxes;

(iii) all costs of insurance for the System, including any forms of self insurance (or self insurance reserves) maintained by the Authority, and payment of all claims not covered by the Authority's insurance;

(iv) all fees and expenses incurred in connection

with any Credit Facility, Liquidity Facility, Reserve Account Credit Facility, the issuance of any Bonds or the issuance of any Other Indebtedness, and all fees and expenses of counsel, fiduciaries and others in connection with any such Credit Facility, Liquidity Facility, Reserve Account Credit Facility, Bonds or Other Indebtedness; provided, however, that none of the foregoing shall be considered as Operation and Maintenance Expenses to the extent required to be capitalized under the Supplemental Resolution authorizing such Bonds or the documents authorizing such Other Indebtedness or paid out of the proceeds of such Bonds or Other Indebtedness;

(v) all amounts required, pursuant to applicable law, to be deposited into the Rebate Fund;

(vi) all amounts required to be deposited, in accordance with the Resolution, into any reserve fund established for Operation and Maintenance Expenses; and

(vii) allowance for depreciation with respect to equipment and property having a depreciable life of greater than three (3) years but less than ten (10) years; and

(viii) any other costs, expenses or obligations required to be paid by the Authority under the provisions of any Water Purchase Contract, contract relating to the System,

any agreement or instrument relating to the Bonds or Other Indebtedness or by law;

"Other Indebtedness" means all bonds, other than the Bonds or other obligations issued pursuant to the Resolution, notes or other evidences of indebtedness issued by the Authority, and Outstanding, including financing agreements and arrangements with the State, to finance or refinance any cost, expense or liability paid or incurred or to be paid or incurred by the Authority in connection with the financing, planning, designing, constructing, acquiring, operating or maintaining of any part of the System; provided, however, that Other Indebtedness shall not include obligations for supplies and services which are to be paid by the Authority out of current revenues, or obligations under leases which are not required to be capitalized under generally accepted accounting principles.

"Outstanding" means (A) with reference to Bonds, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution or any Supplemental Resolution except to the extent that any particular Bonds are not deemed to be outstanding pursuant to the provisions of the Resolution and (B) with respect to Other Indebtedness, such Other Indebtedness theretofore or thereupon being authenticated and delivered pursuant

to any documents relating to the issuance thereof except to the extent that any particular Other Indebtedness is not deemed to be outstanding as specifically provided therein.

"Overdraft Service" means (i) the supply of water from the System, to the extent and from time to time available, in excess of aggregate Uninterruptible Service, for certain, interim, interruptible, non-guaranteed uses which a System Water Purchaser is authorized to withdraw pursuant to a Contract or (ii) such other definition as is set forth in the Rate Schedule.

"Peaking Factor" means (i) the percentage equivalent of that volume of Overdraft Service available from the System for a given period in excess of Uninterruptible Service, which a customer may divert without charge or (ii) such other definition as is set forth in the Rate Schedule.

"Point of Delivery" or "Point of Diversion" means the location where the System, including surface and ground water supplies, interconnects with the Purchaser's Interconnection System.

"Production Factor" means the inverse ratio between any upstream allocation for a consumptive or depletive water diversion and its equivalent in sustained supply at the confluence at the Millstone and Raritan Rivers as follows: $\text{Production factor} = \text{Safe yield at the confluence} / \text{yield at the point of diversion}$ (see

N.J.A.C. 7:11-2.8).

"Projected Annual Requirements" means the aggregate amount projected by the Authority in its Annual Budget, as from time to time amended, to be required during each Annual Payment Period to pay all Annual Requirements.

"Prudent Water Supply Practices" means, as of any particular time, any practices, methods and acts engaged in or approved by a significant portion of the water supply industry operating in areas having comparable characteristics to those of the System, or any of the practices, methods and acts which, in the exercise of reasonable judgment in the light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety and expedition. Prudent Water Supply Practices are not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather are intended to be a spectrum of possible practices, methods or acts expected to accomplish the desired results.

"Purchaser" means the party to this Contract, which is purchasing water from the Authority.

"Purchaser's Interconnection System" means the buildings, structures, piping, valves, meters and other control apparatus and

equipment, installed or to be installed by or on behalf of, and owned and/or used by, the Purchaser (i) to connect Purchaser's system with the System at the Point of Delivery and to withdraw, measure, control and monitor the flow and quality of the water that the Purchaser withdraws from the System, and (ii) to transport such water to the Purchaser's system.

"Rates" means the charges from time to time determined and established by the Authority in accordance with the Rate Schedule.

"Rate Schedule" means the "Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Delaware and Raritan Canal - Spruce Run/Round Valley Reservoirs System" promulgated from time to time by the Authority and set forth in the New Jersey Administrative Code, all in accordance with applicable laws and regulations, as the same may from time to time be amended, and in accordance with the provisions of the System Rules and Regulations, which Rate Schedule establishes the rates, charges and debt service assessments by the Authority for water derived from the System in accordance with the following:

(a) Uninterruptible Service. The Rates per MG set forth in such Rate Schedule for Uninterruptible Service shall be established for each Annual Payment Period on the basis of:

(i) the Projected Annual Requirements for such Fiscal Year;

(ii) multiplied by the production factor for the diversion;

(iii) divided by the lesser of: (a) the annualized amount of MGD of water from the System during such Fiscal Year which the Authority determines is available for Uninterruptible Service and for Standby Service or (b) the annualized amount of MGD of water from the System which is required to be provided by the Authority by the terms of all Water Supply Contracts for Uninterruptible Service and for Standby Service in effect during such Fiscal Year, in each case, times 365 (366 during a leap year); provided, however, that the Authority may exclude for any period, for purposes of computation hereunder, the Uninterruptible Service and Standby Service under any Water Purchase Contract where an Event of Default has occurred and is continuing.

(b) Overdraft Service. The Rate(s) per MG for average daily diversions in excess of the Peaking Factor during a calendar month and year shall be the amounts set forth in the Rate Schedule.

(c) Short-term Service. The Rates for Short-term Service established for each Annual Payment Period shall be the amounts set forth in the Rate Schedule.

(d) Standby Service. The Rates set forth in such Rate Schedule for Standby Service shall be established for each Annual Payment Period on the basis of (i) a standby charge for each month

during which Standby Service is available, equal to the capacity, in MGD, of the Purchaser's withdrawal facilities to be served by such Standby Service plus (ii) a charge (against which the standby charge for such month shall be credited), for water actually consumed in any month, at the rate per MG established by the Rate Schedule for Uninterruptible Service.

(e) Special User Service. The Rates for Special User Service established for each Annual Payment Period shall be the amounts set forth in the Rate Schedule.

"Rebate Fund" means the fund denominated as such and created pursuant to the Resolution.

"Reserve Account Credit Facility" means a surety bond, insurance policy, letter of credit, line of credit or other Credit Facility satisfying the requirements set forth in Section 518 of the Resolution.

"Resolution" means the resolution adopted by the Authority authorizing the issuance of Bonds, and all Supplemental Resolutions.

"Revenue Fund" means the fund denominated as such and created pursuant to the Resolution.

"Short-term Service" means (i) the supply of water from the System, to the extent from time to time available, in excess of

aggregate Uninterruptible Service, for certain interim, interruptible, non-guaranteed or short-term uses, such as growing agricultural or horticultural products, meeting extraordinary requirements in consumer demand for potable or industrial water as a result of transfers arising from a declaration of drought by the Department, meeting non-seasonal extraordinary requirements in consumer demand for potable or industrial water, or emergent maintenance or temporary failure of a critical component of a System Water Purchaser's infrastructure which a System Water Purchaser is authorized to withdraw pursuant to a Contract or (ii) such other definition as is set forth in the Rate Schedule.

"Special User Service" means the supply of water from the Raritan River Basin, which a System Water Purchaser is authorized to continuously withdraw, without interruption, to be returned by the Purchaser to the stream channel of the System at a point reasonably considered by the Authority to be at or in the near vicinity of the point of withdrawal, substantially undiminished in quantity and not substantially degraded in quality, all as is determined by the Authority.

"Standby Service" means the supply of water from the System for certain occasional uses, such as fire protection or other emergencies, natural or otherwise, which a System Water

Purchaser is authorized to withdraw pursuant to a Contract.

"State" means the State of New Jersey.

"Supplemental Resolution" means any resolution enacted by the Authority supplemental to the Resolution in connection with the issuance of any particular Bonds, which Supplemental Resolution shall, inter alia, establish the specific terms applicable to such particular Bonds.

"System" means the water supply system operated by the Authority known as the Delaware and Raritan Canal - Spruce Run/Round Valley Reservoirs System, and any expansion thereof, the major components of which presently consist of the Delaware and Raritan Canal water supply transmission facility, the Spruce Run and Round Valley Reservoirs and an interconnecting pumping station located where the Raritan and Millstone Rivers meet adjacent to the Delaware and Raritan Canal, together with all component plants, structures and other real or personal property, and additions and improvements thereto, necessary or useful and convenient for the accumulation, supply or transmission of water including but not limited to: reservoir facilities, settling and sediment storage basins, dams, dikes, intake and reservoir pipelines, force mains, pump stations and intake structures.

"System Rules and Regulations" means the Rules for the

Use of Water from the Delaware and Raritan Canal and Spruce Run/Round Valley Reservoirs System, adopted on April 24, 1987 and effective on May 18, 1987 and presently set forth in Section 7:11-3.1 et. seq. of the New Jersey Administrative Code, and any amendments from time to time hereafter made thereto.

"System Water Purchaser" means any party to a Water Purchase Contract with the Authority.

"Uninterruptible Service" means the supply of water from the System which a System Water Purchaser is authorized continuously to withdraw, without interruption, for potable or industrial water supply purposes, pursuant to a Contract.

"Water Act" means the "Water Supply Management Act", P.L. 1981, c. 262, as amended (N.J.S.A. 58:1A-1 et. seq.) and the rules promulgated thereunder.

"Water Purchase Contracts" or "Contracts" means the contracts, and all supplements thereto, providing for Uninterruptible, Short-term, Standby Service or Special User Service with respect to water from the System to one or more System Water Purchasers.

"Water Supply Plan Approval" means any approval by the Department of the purchase of water from the System, whether in the form of a water supply allocation permit, an interim approval of a

water supply plan submitted as may be required by the Department for a water supply allocation permit, or otherwise.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and bodies. Any capitalized term used herein and not otherwise defined shall have the meaning set forth in the Resolution.

SECTION 2. Water Service To Be Provided

A. The Authority shall supply and make available for delivery to the Purchaser, on and after the date hereof, and the Purchaser shall be entitled to utilize the following water service, subject to the other terms and conditions of this Contract and the System Rules and Regulations:

(i)(a) Uninterruptible Service in the amount of 27 MGD, which is the average amount of Uninterruptible Service permitted to be withdrawn by the Purchaser subject to the provisions of Section 2(B) hereof;

(b) Overdraft Service of that number of MGD necessary to meet Purchaser's diversionary needs in excess of Uninterruptible Service.

(ii) Short Term Service of that number of MGD which shall be established by one or more separate agreements, which shall be supplemental hereto and incorporated herein, between the Authority and the Purchaser, entered into for such term as the Purchaser and the Authority shall agree, with the number of MGD so established to be the maximum amount of Short-term Service permitted to be withdrawn by the Purchaser in any twenty-four (24) hour period during the period covered by such separate and supplemental agreements except as otherwise limited by Section 2B hereof;

B. Purchaser shall not withdraw water, in the aggregate for all Uninterruptible Service provided hereunder, at rates greater than an average of 27 million gallons in any twenty-four (24) hour period; 822 million gallons per month, which per minute, daily and monthly amounts shall be appropriately adjusted to reflect fluctuations in water use; and an average of nine thousand, eight hundred, and fifty-five (9,855) million gallons in any year from January 1, 2004 through November 30, 2023. The Purchaser shall immediately notify the Authority of any such withdrawals in excess of said amount.

C. If the Authority determines that rationing the water derived from the System is necessary by reason of drought

conditions or an emergency, it shall allocate all available water first to providing Uninterruptible Service under all Water Purchase Contracts, without any preference or priority, except that the Authority, in its sole discretion, may exclude Water Purchase Contracts where an Event of Default has occurred and is continuing, at the Authority's election, unless the Authority, in accordance with applicable law or regulation, is otherwise directed or required to allocate water in a specific manner, (i) pro rata, in accordance with the volume of water available, to each System Water Purchaser of Uninterruptible Service provided in all Water Purchase Contracts then in effect; or (ii) pro rata in accordance with the volume of water actually provided each System Water Purchaser of Uninterruptible Service pursuant to Water Purchase Contracts during the last preceding Annual Payment Period in which rationing of water was not necessary; or (iii) upon such other basis as shall be, in the judgment of the Authority, appropriate to distribute fairly among all System Water Purchasers of Uninterruptible Service pursuant to Water Purchase Contracts, the burden of such rationing. In the event that rationing is to be imposed by reason of an emergency for more than a seven-day period, the Authority shall consult with and give appropriate effect to the recommendations, if any, of the Department.

D. If rationing is instituted, or if, other than as a result of an Event of Default, the Authority does not provide to the Purchaser the amount of water constituting Uninterruptible Service hereunder, or advises the Purchaser that it will be unable to do so other than as a result of an Event of Default, the Purchaser shall nevertheless at all times be required to pay for all water from the System constituting Uninterruptible Service available for delivery to the Purchaser.

E. If in the event of an emergency, the Purchaser is legally restricted from purchasing all of the water constituting Uninterruptible Service hereunder, the Purchaser shall only be required to pay for such water constituting Uninterruptible Service as it is legally permitted to purchase (and the Authority is able to supply) during the period of such emergency.

SECTION 3. System Water Quality.

A. The water to be supplied by the Authority hereunder shall be raw, untreated water which the Authority shall supply to all System Water Purchasers without distinction as to source or quality variations of the water supplied and subject to the hazards inherent in natural streams. THE AUTHORITY MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AS TO THE QUALITY OF ANY WATER SUPPLIED OR THE CONDITION OF THE SYSTEM, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. However, the Authority, based upon water quality data supplied to it by any System Water Purchaser or other water quality data which may be obtained by the Authority, will take all reasonable measures to determine the source of water degradation and will exercise all appropriate administrative and legal rights under applicable law to compel the Department to assure that the stream water quality is in compliance with applicable stream standards.

B. (1) In the event of contaminant discharges, spills or runoff to the Authority's water supplies which constitute an emergency and require immediate action to maintain the supply of water from the System, the Authority will take immediate corrective

action either: (i) through requesting the appropriate agency to take such action or, (ii) directly, by its own personnel and/or outside contractors, to contain and, if necessary to remove such contaminants from the water supply, in the Authority's sole discretion. In addition, to the extent it is legally able to do so and it determines that such action is in the best interests of the Authority, the Authority will seek to recover all costs and damages resulting from any such incidents from the parties responsible.

(2) If the Authority and the Purchaser, at the request of the Purchaser, agree that the quality of the water derived from the System is not of sufficient quality to be treated by the Purchaser for the purposes for which such water is to be used or there is any trend towards degradation of such water as a result of contamination in the quality of water derived from the System, the Authority and such Purchaser shall jointly (i) request the Department to take appropriate action to implement corrective measures or (ii) take other administrative or operational measures.

SECTION 4. Payment for Water Services

A. General. Purchaser agrees to make all payments for water services available hereunder in the amounts, at the times and places and in the manner provided herein subject to the Rate

Schedule and as modified from time to time, by the System Rules and Regulations.

B. Purchaser agrees to pay Seller a rate equal to one-hundred percent of the total rate set forth in such Rate Schedule for Uninterruptible Service (see Section 2(A)(i)(a)) as illustrated in the following formula:
Uninterruptible Service * # of days in the month * rate;

C. Purchaser agrees to pay Seller a Monthly Overdraft Rate equal to one-hundred and twenty percent of the total rate set forth in said Rate Schedule for Uninterruptible Service (see Section 2(A)(i)(a)) for average daily diversions for any calendar month in excess of a Peaking Factor of ten-percent of Uninterruptible Service as illustrated in the following formula: actual monthly diversion in excess of 10% of Uninterruptible Service * 1.20 * rate * days in the month;

D. Purchaser agrees to pay Seller an Annual Overdraft Rate equal to one-hundred and fifteen percent of the total rate set forth in said Rate Schedule for Uninterruptible Service (see Section 2(A)(i)(a)) for average daily diversion for any calendar year in excess of Purchaser's Uninterruptible Service as illustrated in the following formula: average daily diversion in excess of Uninterruptible Service * 1.15 * rate * days in the year.

The annual overdraft period shall coincide with the calendar year;

E. Uninterruptible Service. Purchaser agrees to make Monthly Water Payments for Uninterruptible Water Services no later than thirty (30) days from the date of each billing by the Authority to the Purchaser. Except as hereinafter provided, payments for Uninterruptible Service shall be based on the number of days in each month, whether or not the Purchaser actually withdraws the full amount of water available to it as Uninterruptible Service; provided, however, that the Purchaser shall not be required to make payment for water that the Authority does not make available to the Purchaser except where such non-provision of water is as a result of an Event of Default. The Authority shall notify the purchaser not later than thirty days prior to the beginning of each Annual Payment Period of the amount of the Purchaser's Annual Payment for Uninterruptible Service and the amounts of the Monthly Water Payments.

F. Short-term Service. Purchaser agrees to pay not later than thirty (30) days from the date of each billing by the Authority to the Purchaser, the charges for water actually consumed as Short-term Service in the immediate preceding month.

G. Overdraft Payments. The Purchaser agrees to pay annually, the charges for those diversions referenced in Sections

4(C) and 4(D) above. The monthly overdraft payment will be remitted in November of the year in which the overdraft occurs. The annual overdraft payment will be remitted in February of the year following the year in which the overdraft occurred.

H. Retroactive Debt Service Payment. The Purchaser agrees to pay to the Authority the following additional amounts:

i. An amount equal to two million, two hundred and forty-five thousand, six hundred and seventeen dollars and twenty-four cents (\$2,245,617.24), which sum represents the retroactive payment of a full proportionate share of the total annual payments of Debt Service for the 1958, 1969, and 1981 bonds made to the Authority by other purchasers of water from the System during the periods from July 1, 1983 through June 30, 1988 (1958 bonds), from July 1, 1988 through June 30, 2002 (1969 bonds) and from October 1, 1985 through December 31, 2003 (1981 bonds), for that certain 7 MGD of water initially contracted for purchase by the Purchaser commencing on January 1, 2004. Purchaser shall receive a credit of three hundred two thousand, nine hundred fifteen dollars and eighty-four cents (\$302,915.84), representing the total retroactive debt paid by Purchaser associated with 7 mgd of unsold water as a prior system customer since 1983. Purchaser's adjusted retroactive debt payment for the 1958, 1969, and 1981 bonds shall be one

million, nine hundred and forty-two thousand, seven hundred and one dollars, and forty cents (\$1,942,701.40). Said payment is to be made on the first day of each month in 238 equal monthly installments of eight thousand, one hundred and twenty-eight dollars, and forty-six cents (\$8,128.46) commencing March 1, 2004 and continuing through December 1, 2023 and one final payment of eight thousand, one hundred and twenty-seven dollars, and ninety-two cents (\$8,127.92) payable on January 1, 2024; and

ii. An amount equal to one million, two hundred and eighty-seven thousand, nine hundred and thirty-eight dollars and thirty-eight cents (\$1,287,900.38), which sum represents the retroactive payment of a full proportionate share of the total annual Debt Service payments for the 1988 Water System Revenue Bonds made to the Authority by other purchasers of water from the System during the period from July 1, 1989 through June 30, 1998 for that certain 7 MGD of water initially contracted for purchase by the Purchaser commencing on January 1, 2004. Purchaser shall receive a credit of one hundred seventy-one thousand, nine hundred and forty-three dollars, and fifty-eight cents (\$171,943.58), representing the total retroactive debt paid by Purchaser associated with 7 MGD of unsold water as a prior system customer since 1983. Purchaser's adjusted retroactive debt payment for the

1988 bond issue shall be one million, one hundred fifteen thousand, nine hundred and fifty-six dollars and eighty cents. (\$1,115,956.80). Said payments are to be made on the first day of each month in 238 equal monthly installments of four thousand, six hundred and sixty-nine dollars and twenty-eight cents (\$4,669.28) commencing March 1, 2004 and continuing through December 1, 2023, and one final payment of four thousand, six hundred and sixty-eight dollars and sixteen cents (\$4,668.16) payable on January 1, 2024; and

iii. An amount equal to five hundred and forty-four thousand, eighty-four dollars and twenty-five cents (\$544,084.25), which sum represents the retroactive payment of a full proportionate share of the total annual payments of Debt Service for the 1998 Water Surplus Revenue Refunding Bonds made to the Authority by other purchasers of water from the System during the period from July 1, 1999 through December 31, 2003 for that certain 7 MGD of water initially contracted for purchase by the Purchaser commencing on January 1, 2004. Purchaser shall receive a credit of seventy-two thousand, six hundred and thirty-nine dollars (\$72,639.00), representing the total retroactive debt paid by Purchaser associated with 7 MGD of unsold water as a prior system customer since 1983. Purchaser's adjusted retroactive debt payment

for the 1998 bond issue shall be four hundred and seventy-one thousand, four hundred and forty-five dollars and twenty-five cents (\$471,445.25). Said payments are to be made on the first day of each month in 238 equal monthly installments of one thousand, nine hundred and seventy-two dollars and fifty-seven cents (\$1,972.57) commencing March 1, 2004 and continuing through December 1, 2023, and one final payment of one thousand, nine hundred and seventy-two dollars and fifty-seven cents (\$1,972.57) payable on January 1, 2024.

I. Production Factor Payments. The Rate Schedule and System Rules provide that for a depletive diversion at any location above the confluence of the Millstone and Raritan Rivers, the Total Daily Allotment Charge shall be multiplied by the Production Factor, which is equal to System Safe Yield at the point of delivery. The Purchaser agrees to a Production Factor of 1.000 for its diversion and to pay the dollar equivalent to the Authority in Purchaser's Monthly Water Payments for Uninterruptible Water Services.

J. Absolute Obligation. Purchaser's obligations hereunder to pay for water in the manner set forth in this Contract shall be absolute and unconditional, and shall not be affected by any failure by the Authority to perform its obligations hereunder,

other than a failure by the Authority to supply water constituting Uninterruptible Service (in which event, as herein provided, Purchaser shall be unconditionally obligated to pay for the water available for taking), except as a result of an Event of Default, or be subject to any other defense or to any reduction, whether by offset, counterclaim or otherwise, except for any reductions or credits provided for herein, in the Rate Schedule or in the System Rules and Regulations.

K. Overdue Payments. All payments for service which are not made by the due date therefore and any other sums required to be paid by the Purchaser to the Authority pursuant to this Contract shall bear interest at a per annum rate equal to the prime rate, as from time to time established by Chase Manhattan Bank as its prime rate (with any changes in such prime rate to be effective on any date that such rate is changed) plus 2%, such interest to be calculated from the due date of any required payment until actual payment thereof.

L. Rate Adjustments and Procedures. The Authority reserves the right from time to time to adopt adjustments to the Rate Schedule and to the System Rules and Regulations in accordance with applicable laws and regulations. If as a result of any such adjustments the payments for service hereunder are adjusted by the

Authority, the Authority shall notify the Purchaser of the adjustments and of any revised schedule of Monthly Water Payments required to reflect such adjustments and the same shall, without any further act of the Authority or the Purchaser, constitute an amendment to this Contract.

SECTION 5. Delivery and Withdrawal of Water.

A. All water shall be withdrawn from the System at the Purchaser's sole cost and expense. Title to all water supplied from the System shall be in the Authority to the Point of Delivery, at which point title shall vest in the Purchaser upon its withdrawal of such water.

B. The Authority hereby grants to the Purchaser for the term of this Contract a right which shall permit access to Purchaser and its designated representatives upon and over the System as may be necessary, at Purchaser's sole cost and expense, to install and construct at the Point of Delivery, and to replace, repair, operate and maintain, Purchaser's Interconnection System.

C. The Purchaser shall not install or construct nor make any material alterations in Purchaser's Interconnection System without the prior written approval of the Authority. Purchaser shall submit engineering plans therefore to the Authority for its

review and approval.

D. The Authority or its designated representatives shall have the right at any time to examine Purchaser's Interconnection System from the Point of Diversion to and including the flow meter or measuring devices (hereafter "flow meters"). The Authority shall comply with all reasonable security protocols developed by Purchaser in conducting its inspections. The Purchaser shall, at its sole cost and expense, within ten (10) days (or such longer period as may be required by law) after receipt of written demand from the Authority, make such modifications or repairs to Purchaser's Interconnection System from the Point of Diversion to and including the flow meters as, in the opinion of the Authority, may be required to eliminate leakage of water from, or potential damage to the System. If Purchaser should fail to make such modifications or repairs, the Authority may do so and the Purchaser agrees to reimburse the Authority on demand for the Authority's cost therefore.

E. The Purchaser shall purchase or construct, install, operate, maintain and repair, as a part of Purchaser's Interconnection System, at its sole cost and expense and in a manner which the Authority determines to be in accordance with Prudent Water Supply Practices, automated flow meters at the

point(s) of diversion that electronically transmit daily diversionary flow information to the Seller, of the type and at location(s) approved by the Authority. The Purchaser shall have such flow meters tested for accuracy at its own sole cost and expense by a testing firm approved by the Authority (i) at least once during each Fiscal Year; (ii) following meter repairs; and (iii) at such other times as the Authority may reasonably request. Each test shall be evidenced by a certified report, which Purchaser will cause such testing firm to furnish to the Authority.

F. Monthly meter readings of water shall be taken by the Purchaser on the last day of each month, or if such last day falls on Sunday or legal holiday, on the first working day thereafter. The Purchaser shall keep a daily record of flow rates and cumulative daily water withdrawal totals and shall submit to the Authority, not later than the tenth (10th) business day of each month, copies of such records for the preceding month. The Authority or its designated representatives shall have the right at any time to examine the flow meters or other measuring device, and any repairs or replacements made to such flow meter or other measuring device. Purchaser shall submit written certifications with its monthly meter readings.

G. The Purchaser agrees to indemnify, defend and hold

harmless the Authority from and against all claims, damages or losses suffered, sustained or required to be paid by the Authority, arising from any act or omission of the Purchaser, its officers, agents, representatives or employees, in connection with Purchaser's Interconnection System, the operation thereof, or any activities carried out by the Purchaser, its officers, employees, agents or representatives, on the premises of, or with respect to, the System, or with respect to any of the services which are the subject of this Contract.

H. The Authority, subject to the provisions of the New Jersey Tort Claims Act, shall be responsible and shall at its own expense, defend itself against any and all suits, claims, losses, demands or damages of whatsoever kind or nature, arising out of or in connection with any act or omission of the Authority, its employees, agents or contractors, in performance of the obligations assumed by the Authority pursuant to this Agreement. The Authority hereby releases the Purchaser from any and all liabilities, claims, losses, costs, expenses and demands of any kind or nature whatsoever, arising under the state or federal law, solely out of or in connection with the Authority's performance of the obligations assumed by the Authority pursuant to this Agreement.

I. In the event that any of the flow meters

required to be maintained by the Purchaser shall fail to properly operate, the Authority may make necessary estimates of or adjustments in accordance with the System Rules and Regulations, to the amounts of water withdrawn by the Purchaser and to be charged by the Authority to the Purchaser for any period during which such failure exists and continues. The Purchaser agrees that at the request of the Authority it will repair or replace such meters, at its sole cost and expense. If the Purchaser fails to repair or replace the meters within 60 days following notice from the Authority, the Authority, may suspend the withdrawal of water by the Purchaser until such time as the meter is repaired or replaced; provided, however, that the Purchaser shall be required to continue to honor its payment obligations for water pursuant to this Contract during the period of such suspension, as if such suspension had not occurred.

SECTION 6. Force Majeure.

If by reason of Force Majeure either the Authority or Purchaser shall be rendered unable to satisfy its obligations under this Contract, in whole or in part, and shall give notice and all of the particulars of such Force Majeure in writing to the other such party hereto within a reasonable time after the occurrence of the event or cause relied on, then the obligation of the party

giving such notice, to the extent affected by such Force Majeure, shall be suspended during the continuance of such inability; provided, however, that the existence of Force Majeure shall in no event affect the obligation of the Purchaser to make the Monthly Water Payments and other payments required under this Contract, but if less than the amount of water required to be supplied hereunder is supplied or available for supply, nothing in this Section 6 shall require the Purchaser to make payment for water other than in an amount equal to the greater of (i) the water actually supplied or (ii) the water available for supply by the Authority. Either party so affected shall use its best efforts to remove or overcome such Force Majeure as quickly as is practicable.

SECTION 7. Term of Contract.

A. This Contract shall commence on January 1, 2004 and shall continue until November 30, 2023 unless previously terminated as provided herein as a result of an Event of Default, or extended as provided in Section 7B hereof.

B. If the Purchaser desires to continue the withdrawal of water from the System, contracted for pursuant to this Contract, beyond the date set forth in Section 7A hereof, the Purchaser shall submit to the Authority notification of intent to renew not less

than 90 days prior to such date.

C. If the Purchaser has not submitted a notification of intent to renew as provided in Section 7B hereof, the Authority shall notify the Purchaser of the expiration date of the Contract. If, after such notification by the Authority, the Purchaser continues withdrawal of water, the charge for such withdrawal shall be twice the rate per million gallons as is specified in the Rate Schedule then in effect.

D. Within ninety (90) days after termination of this Contract, the Purchaser shall remove from the System Purchaser's Interconnection System and any other facilities installed by Purchaser on the System, shall restore the System to its former condition as nearly as may be practicable and in a manner satisfactory to the Authority and shall release and re-convey the rights granted pursuant to Section 5B hereof. If Purchaser shall fail to remove and restore as aforesaid, the Authority may make such removal and restoration at the sole cost and expense of the Purchaser, which cost and expense shall be paid by the Purchaser to the Authority on demand. The Authority further reserves the right to remove and sell Purchaser's Interconnection System and other facilities to the extent it deems appropriate.

SECTION 8. Insurance

A. Authority Insurance. The Authority shall use reasonable commercial efforts to purchase and carry fire, casualty, public liability and other insurance on the System, or to otherwise establish and fund its own self-insurance program or participate in any State-administered pooled risk or self-insurance program, for purposes and in amounts which ordinarily would be carried or funded by a person or entity owning and maintaining facilities similar to the System.

B. Purchaser Insurance. The Purchaser shall use reasonable commercial efforts to purchase and carry fire, casualty, public liability, and business interruption insurance covering Purchaser's business operations, unless Purchaser is not legally able to maintain business interruption insurance, and shall purchase and carry insurance covering Purchaser's obligations pursuant to Section 5G hereof. All policies of insurance shall be written by insurance companies authorized to do business in the State and shall provide that no change of coverage shall be effected unless at least thirty (30) days' prior notice is given to the Authority. Certified copies of all replacement policies shall be delivered to the Authority not less than thirty (30) days prior to the expiration of any coverage. The "Authority" shall be named

as an "Additional Insured" on all public liability insurance policies maintained by the Purchaser for Purchaser's Interconnection System and any other facilities of the Purchaser located on the System, on all business interruption insurance and all insurance covering Purchaser's obligations pursuant to Section 56 hereof. The proceeds of business interruption insurance shall be payable directly to the Authority to the extent of the Purchaser's obligations to purchase water hereunder.

SECTION 9. Covenants, Representations, and Warrants

A. The Authority shall continuously operate and maintain the System in an efficient manner in accordance with Prudent Water Supply Practices. The Authority shall have no liability in the event that the water, which is actually available to the System is insufficient to permit the Authority to comply with its obligations hereunder.

B. The Authority shall not enter into any Water Purchase Contract which would result in (i) Uninterruptible Service called for under all Water Purchase Contracts to exceed the Maximum Dependable or Safe Yield or (ii) the water supply called for under all contracts or commitments for water of the System to exceed the maximum output capacity of the System.

C. The Authority represents and warrants that it has all

licenses and permits presently obtainable from any federal, state or local governmental authority required in order to enter into this Contract and to provide water to Purchaser as herein set forth.

D. The Authority shall exercise reasonable efforts to execute Contracts, similar in form and content to this Contract, with all other users of the System; provided, however, that notwithstanding the foregoing, the Authority may (i) enter into Contracts for durations other than the term of this Contract and (ii) enter into Contracts, containing terms which may be inconsistent with the terms of this Contract, if the Authority determines it to be necessary in connection with the operation of the System so long as such Contracts do not increase the Purchaser's obligations hereunder for Debt Service unless the Purchaser is benefited as a result of the provisions of such Contract. All Contracts entered into by the Authority shall contain rates and charges for water as are set forth in the Rate Schedule then in effect.

E. The Purchaser represents and warrants that it has all licenses and permits from any federal, state or local governmental authority required in order to enter into this Contract, to divert water from the System in accordance therewith and to operate the

Purchaser's Interconnection System.

F. The Purchaser covenants to (i) maintain in good operating order and repair the Purchaser's Interconnection System; (ii) charge and collect taxes, fees and other charges to its residents and customers which, from time to time together with other funds available to the Purchaser, are reasonably estimated to be required by the Purchaser to make the payments to the Authority which are required pursuant to this Contract.

SECTION 10. Events of Default.

Any of the following shall constitute an Event of Default:

If the Purchaser shall (i) fail to make any payment due under this Contract for a period of more than 15 days after any such payment is due or (ii) shall fail or be unable to perform, or shall default in the performance of, any of its obligations under this Contract, and such failure, inability or default in performance is (A) willful or (B) remains uncured for more than 30 days after notice thereof is given by the Authority to Purchaser; provided however, that if such failure, inability or default in performance is incapable of being cured within such 30 day period, the same shall not constitute an Event of Default so long as

Purchaser commences to cure such failure, inability or default in performance within such 30 day period and diligently and continuously proceeds to cure the same.

If an Event of Default has occurred, then the Authority may, without further notice, take any one or more of the following actions:

(a) Discontinue the supply and delivery of water under this Contract, including disconnecting Purchaser's Interconnection System from the System during the period of such default, without altering the obligation of the Purchaser to make Monthly Water Payments or any other payment required by the terms of this Contract;

(b) Bring any suit, action or proceeding at law or in equity necessary or appropriate to enforce any covenant, agreement or obligation against the Purchaser.

(c) Take any other action permitted by law or equity to enforce its rights under this Contract and to recover damages for breach thereof, or

(d) Terminate this contract.

SECTION 11. Payments and Notice.

Unless otherwise provided herein, any payment, notice,

communication, request, reply or advice herein provided or permitted to be given, made or accepted by the Authority or the Purchaser to each other shall be given or be served either by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be so notified. For the purposes of notice, the addresses of the Authority and Purchaser shall, until changed as hereinafter provided, be as follows:

If to the Authority:

New Jersey Water Supply Authority
1851 State Highway 31
Post Office Box 5196
Clinton, New Jersey 08809

Attention: Executive Director

If to the Purchaser:

Middlesex Water Company
1500 Ronson Road

P.O. Box 1500
Iselin, NJ 08830-0452

The Authority and Purchaser shall have the right from time to time and at any time to change their respective addresses by at least fifteen (15) days' written notice to the other party hereto given in the manner hereinabove set forth.

SECTION 12. Severability.

In the event that any one or more of the provisions of this Contract shall for any reason be held to be illegal or invalid by a court of competent jurisdiction, it is the intention of each of the parties hereto that such illegality or invalidity shall not affect any other provision hereof, but this Contract shall be construed and enforced as if such illegal or invalid provision had never been contained herein.

SECTION 13. Incorporation of Rate Schedule and System Rules and Regulations.

The Rate Schedule and the System Rules and Regulations are hereby incorporated herein by reference as fully as if herein set forth and all of the terms and provisions of such Rate Schedule and System Rules and Regulations shall be part of this Contract and shall be binding upon the Purchaser.

SECTION 14. Calculations of the Authority.

All meter readings to the extent made by the Authority and all calculations made by the Authority of amounts due by a Purchaser pursuant to this Contract, whether based upon meter readings or estimates by the Authority or meter readings by the Purchaser, shall be valid and binding upon the Purchaser absent manifest error by the Authority.

SECTION 15. Termination of Existing Contract.

Except (i) for amounts which may presently be due pursuant to the terms thereof and (ii) as is specifically set forth in this Section 15, this Contract supercedes the Existing Contract being specifically RBS-2 which is deemed by the parties hereto to be terminated.

SECTION 16. Binding Effect.

This Contract, when executed and delivered by the parties hereto, shall be a valid and binding agreement, which shall be governed by and construed in accordance with the laws of the State. Neither party hereto may assign its rights or obligations hereunder without the consent of the other party.

IN WITNESS WHEREOF, the Authority and the Purchaser have caused this Contract to be duly executed the date and year above first written.

(Authority Seal)

ATTEST: NEW JERSEY WATER SUPPLY AUTHORITY

By:

Thomas G. Baxter, P.E.
Henry S. Patterson III
Executive Director

(Purchaser Seal)

ATTEST: MIDDLESEX WATER COMPANY

By: s/ Dennis G. Sullivan

s/ MF Reynolds
Secretary

President

Reviewed and Approved As to Form Only:

Peter C. Harvey
Attorney General for New Jersey

By:

Helene P. Chudzik

Middlesex Water Company

Subsidiaries

Jurisdiction of
Organization

Tidewater Utilities, Inc.
Pinelands Water Company
Pinelands Wastewater Company
Bayview Water Company
Utility Service Affiliates (Perth Amboy) Inc.
Utility Service Affiliates, Inc.

Delaware
New Jersey
New Jersey
New Jersey
New Jersey
New Jersey

We consent to the incorporation by reference in Registration Statement No. 33-11717 of Middlesex Water Company on Form S-3 of our report dated March 4, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the restatement described in Note 10), appearing in this Annual Report on Form 10-K/A of Middlesex Water Company for the year ended December 31, 2003.

/s/DELOITTE & TOUCHE LLP/

Parsippany, New Jersey
April 14, 2004

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

I, Dennis G. Sullivan, certify that:

1. I have reviewed this annual report on Form 10-K 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)) 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) (Omitted pursuant to SEC Release No. 33-8238)
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dennis G. Sullivan

Dennis G. Sullivan
Chief Executive Officer

Date: April 14, 2004

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 annual report on Form 10-K 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)) 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. (Omitted pursuant to SEC Release No. 33-8238)
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ A. Bruce O'Connor

A. Bruce O'Connor
Chief Financial Officer

Date: April 14, 2004

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

I, Dennis G. Sullivan, 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 G. Sullivan

Dennis G. Sullivan
Chief Executive Officer

Date: April 14, 2004

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.ss.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: April 14, 2004

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.