SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year ended December 31, 1995 — Commission File No. 0-422

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

New Jersey	22-1114430
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1500 Ronson Road, Iselin, New Jersey	08830-3020
(Address of principal executive offices)	(Zip Code)

(908) 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 X . 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. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant at March 18, 1996 was $75,235,026 based on the closing market price of $18.125 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 18, 1996
Common Stock, No par Value	4,150,898

Documents Incorporated by Reference
Annual Report to shareholders for fiscal year ended December 31, 1995; pages 8 through 21. Parts II and IV.

PART I

Item 1. Business

General

Middlesex Water Company (Middlesex or Company), has operated as a water utility in New Jersey since its organization in 1897 and is in the business of collecting, treating and distributing water for domestic, commercial, industrial and fire protection purposes in the State and, since 1992, in the State of Delaware through its acquisition of Tidewater Utilities, Inc. (Tidewater), as a wholly-owned subsidiary. In April 1995, Middlesex completed the purchase of the assets of a 2,200 customer water utility and a 2,200 customer wastewater utility in Burlington County, New Jersey. The systems were acquired through the Company's wholly-owned subsidiaries of Pinelands Water Company and Pinelands Wastewater Company (jointly Pinelands). All water system's are completely metered, including contract sales, except for fire hydrant service. The rates charged for water services must be approved by regulatory authorities. In May 1995, Middlesex and its wholly-owned subsidiary, Utility Service Affiliates, Inc., jointly entered into a five-year contract with the City of South Amboy to operate and maintain the City's 2,600 customer water system. The contract is subject to renewal for three future five-year periods.

Retail Sales

Middlesex provides water services to retail customers primarily in eastern Middlesex County, New Jersey. Water services are now furnished to approximately 53,000 retail customers located in an area of approximately 55 square miles of New Jersey in Woodbridge Township, 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.

Tidewater provides water services to almost 6,000 retail customers for domestic, commercial and fire protection purposes in over 75 community water systems located in Kent, Sussex and New Castle Counties in Delaware.

Pinelands provides water and wastewater services to approximately 2,200 retail customers in Burlington County, New Jersey.

Contract Sales

Middlesex also provides water on a wholesale basis in New Jersey to the Township of Edison (Edison), the Borough of Highland Park (Highland Park), the City of South Amboy (South Amboy), the Old Bridge Municipal Utilities Authority (Old Bridge), the Borough of Sayreville (Sayreville) and the Marlboro Township Municipal Utilities Authority (Marlboro). Under special contract, the Company also provides water treatment and pumping services to the Township of East Brunswick (East Brunswick). East Brunswick, South Amboy, Old Bridge, Sayreville and Marlboro are within an area designated as the South River Basin Study Area.

The South River Basin Study Area refers to parts of southern Middlesex and northern Monmouth Counties addressed by a 1980's study conducted by the New Jersey Department of Environmental Protection (DEP). According to that study, ninety-five percent of the area's water supply was derived from groundwater sources that were being overpumped at that time and projected growth of the region would further over stress these groundwater resources. These conditions prompted the DEP to create Water Supply Critical Area No. 1 (Critical Area) covering portions of Middlesex, Monmouth and Ocean Counties and to promulgate mandatory reductions in groundwater withdrawals within the Critical Area. During the same mid-1980's time period, East Brunswick entered into a special contract with the Company and in 1986 began receiving water treatment and pumping services under that contract.

In 1986, as part of the State's South River Basin Feasibility Study, the Company outlined to the DEP and other interested parties a plan to construct facilities to ensure potable water supplies into this area through the year 2020. In connection with this project, the Company entered into long-term water supply agreements with Old Bridge, Marlboro and Sayreville, and the DEP approved these agreements.

As an interim measure to address the immediate needs of this region, an agreement was reached between the Company and the City of Perth Amboy for the lease of a large diameter pipeline which extends from the northern shore of the Raritan River to central Old Bridge. This pipeline was rehabilitated, isolated from the Perth Amboy system and connected to the Middlesex system, and now provides a supply of the Company's water to substantial portions of the Critical Area (Old Bridge, Sayreville, Marlboro and South Amboy).

The South River Basin Transmission Main was scheduled to be constructed in three stages, designated Sections C, B, and A, to meet the increasing demands of the customers in the Critical Area. Section C, which was connected to Marlboro in 1991, comprises a 6.5 mile main extending the Middlesex system from the southern end of the Perth Amboy line to Marlboro Township in Monmouth County. The Company completed construction of Section B, a 5 mile extension northwest through Old Bridge to East Brunswick, that was operational in 1993. In 1993, an interconnecting pipeline was constructed by East Brunswick thereby providing for an alternative means of transporting water from the Carl J. Olsen Water Treatment Plant (CJO Plant) to the South River Basin customers. The Company currently anticipates that Section A may be constructed later this decade, when demands in the region grow, and will directly connect Sections B and C to the Company's CJO Plant in Edison.

Financial Information

Consolidated operating revenues and operating income relating primarily to operating water utilities are as follows:

	(000's) Years Ended December 31,		
	1995	1994	1993
Operating Revenues	$37,847	$36,122	$35,479
Operating Income	$ 8,912	$ 8,477	$ 8,156

Operating revenues were derived from the following sources:

	Years Ended December 31,		
	1995	1994	1993
Residential	40.2%	39.6%	39.6%
Commercial	11.6	11.9	11.8
Industrial	17.6	18.3	18.3
Fire Protection	12.0	12.1	12.2
Contract Sales	17.6	17.5	17.6
Miscellaneous	1.0	0.6	0.5
TOTAL	100.0%	100.0%	100.0%

Water Supplies and Contracts

The Company's water utility plant consists of source of supply, pumping, water treatment, transmission, distribution and general facilities located in New Jersey and Delaware. The New Jersey and Delaware water supply systems are physically separate and are not interconnected. The newely acquired Pinelands system is not interconnected to the Middlesex system.

Middlesex obtains water from both surface and groundwater sources. In 1995, surface sources of water provided approximately 65% of the Company's water supply, groundwater from wells provided approximately 30% and the balance of 5% was purchased from Elizabethtown Water Company (Elizabethtown), a nonaffiliated water utility. The Company's distribution storage facilities are used to supply water at times of peak demand and for outages and emergencies.

The principal source of surface supply in New Jersey is the Delaware and Raritan Canal (D&R Canal), owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority (NJWSA). The Company has contracts with the NJWSA to divert a maximum of 20 million gallons per day (mgd) of untreated water from the D&R Canal as augmented by the Round Valley/Spruce Run Reservoir System. In addition, the Company has a one-year agreement for an additional 5 mgd renewed through April 30, 1996. The Company also has an agreement with Elizabethtown, effective through December 31, 2005, which provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

Water is also derived from groundwater sources equipped with electric motor-driven deep-well turbine type pumps. Middlesex has 32 wells, which provide a pumpage capacity of approximately 23 mgd. These include the wells of the Park Avenue and Sprague Avenue Well Fields (with a pumpage capacity of over 12 mgd) which during 1993 were provided with treatment, refurbished and retrofitted to insure compliance with water quality standards. See "Regulation - Water Quality and Environmental Regulations."

The Company's New Jersey groundwater sources are:

Middlesex System	No. of Wells	1995 Max. Day Pumpage (millions of gallons)	Capacity (mgd)	Location
Park Avenue	15	10.3	10.5	South Plainfield
Tingley Lane North	4	3.1	3.1	Edison
Tingley Lane South	5	2.3	2.6	Edison
Spring Lake	4	1.2	1.5	South Plainfield
Sprague Avenue #1	1	1.2	1.4	South Plainfield
Sprague Avenue #2	1	1.2	1.3	South Plainfield
Maple Avenue	1	1.1	1.3	South Plainfield
Thermal Well	1	0.2	0.2	Edison
Total	32			
Pinelands System				
Leisuretowne/Hampton Lakes	4	2.0	2.2	Southampton Township

Water supply to Delaware customers is derived from Tidewater's 77 wells, which provided overall system delivery of 350 mg during 1995. Tidewater does not have a central treatment facility. Several of the water systems in Sussex County have an interconnected transmission system. Construction to link several water systems in New Castle County was completed during 1995. Tidewater currently has applications before the Delaware regulatory authorities for the approval of additional wells. Treatment is by chlorination and, in some cases, pH correction and filtration. Water supply to Pinelands Water customers is through four (4) wells drilled into the Mt. Laurel aquifer. Treatment (disinfection only) is done at individual well sites.

The Pinelands sewer system discharges into the south branch of the Rancoccos Creek through a tertiary treatment plant. The total capacity of the plant is 0.5 mgd. Current average flow is 0.3 mgd. Pinelands has a current valid NJPDES permit issued by the DEP.

In the opinion of management, the Company has adequate sources of water supply and other facilities to meet current and anticipated future service requirements in New Jersey, and each of the Tidewater community water systems has adequate sources of water supply and other facilities to meet current and anticipated future service requirements within that water system area.

Competition

The business of the Company is substantially free from direct competition with other public utilities, municipalities and other public agencies. 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 Delaware Department of Natural Resources and Environmental Control (DNREC) awarding franchises to other regulated water purveyors.

Regulation

The Company is subject to regulation as to its rates, services and other matters by the States of New Jersey and Delaware with respect to utility service within those states and with respect to environmental and water quality matters. The Company is also subject to regulation as to environmental and water quality matters by the United States Environmental Protection Agency (EPA).

Regulation of Rates and Services

The Company and its Pinelands subsidiaries are subject to regulation by the New Jersey Board of Public Utilities (BPU), and Tidewater is similarly subject to regulation by the Delaware Public Service Commission (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. The Company and Tidewater, for ratemaking purposes, account separately for operations in New Jersey and in Delaware so as to facilitate independent ratemaking by the BPU for New Jersey operations and the PSC for Delaware operations.

Water Quality and Environmental Regulations

Both the EPA and the DEP regulate the Company's operation in New Jersey with respect to water supply, treatment and distribution systems and the quality of the water, as do the EPA and the DNREC with respect to operations in Delaware.

Federal, Delaware and New Jersey regulations adopted over the past five years relating to water quality require expanded types of testing by the Company to insure that its water meets State and Federal water quality requirements. In addition, the environmental regulatory agencies are reviewing current regulations governing the limits of certain organic compounds found in the water as by-products of treatment. The Company, as with many other water companies, participates 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 regulation and on the method selected to implement such reduction; however, the cost to the Company of complying with proposed regulations promulgated in light of some of the standards being discussed might, depending upon the treatment process selected, be as high as $10 million, based upon current estimates. The Company has already begun studies to evaluate alternative treatment processes for upgrading the CJO Plant. The regular testing by the Company of the water it supplies shows that the Company is in compliance with existing Federal, New Jersey and Delaware water quality requirements.

As required by the Federal Safe Drinking Water Act (FSDWA), the EPA has established maximum contaminant levels (MCLs) for various substances found in drinking water. As authorized by similar state legislation, the DEP has set MCLs for certain substances which are more restrictive than the MCLs set by the EPA. In certain cases, the EPA and the DEP have also mandated that certain treatment procedures be followed in addition to satisfying MCLs established for specific contaminants. The DEP and the DNREC have assumed primacy for enforcing the FSDWA in New Jersey and Delaware, respectively, and, in that capacity, monitor the activities of the Company and review the results of water quality tests performed by the Company for adherence to applicable regulations.

Other regulations applicable to water utilities generally, including the Company, include the Lead and Copper Rule (LCR), the MCLs established for various volatile organic compounds (VOCs), the Federal Surface Water Treatment Rule, and the Total Coliform Rule.

The LCR requires the Company to test on a sample basis the quantity of lead and copper in drinking water at the customer's tap and, if certain contaminant levels (Action Levels) are exceeded, to notify customers, initiate a public information campaign advising customers how to minimize exposure to lead and copper, add corrosion inhibitors to water to minimize leaching of lead from piping, faucets and soldered joints into water consumed at the tap, and implement applicable source water treatment requirements. Tests taken within the Company's system yielded results well below the Action Levels.

VOCs, including primarily petro-chemicals, may percolate into groundwater aquifers from surface sources. The Company has found VOCs in excess of the applicable MCLs in certain of the Middlesex system wells and has constructed air stripping facilities which remove such contaminants from the water by venting them into the atmosphere. In 1990 the air stripping facility was complete at the Spring Lake Well Field. Construction of a similar facility was completed in 1993 and is operational to treat water from the Park Avenue and Sprague Avenue Well Fields, along with a 2 mg storage reservoir. To the extent that contamination in excess of applicable MCLs occurs at wells lacking air stripping and related facilities, the Company will consider building such facilities if feasible and cost effective. VOCs have not been identified in the Delaware wells.

Federal and State regulations and controls concerning water quality, pollution and the effluent from treatment facilities are still in the process of being developed, and it is not possible to predict the scope or enforceability of regulations or standards which may be established in the future, or the cost and effect of existing and potential regulations and legislation upon any of the existing and proposed facilities and operations of the Company. Further, recent and possible future developments with respect to the identification and measurement of various elements in water supplies and concern with respect to the impact of one or more of such elements on public health may in the future require the Company to replace or modify all or portions of their various water supplies, to develop replacement supplies and/or to implement new treatment techniques. In addition, the Company anticipates that threatened and actual contamination of water sources may become an increasing problem in the future. The Company has expended and may in the future be required to expend substantial amounts to prevent or remove said contamination or to develop alternative water supplies. Any such developments may increase operating costs and capital requirements. Since the rate regulation methodology of both the BPU and the PSC permits a utility to recover through rates prudently incurred expenses and investments in plant, based upon past BPU and PSC practice, the Company expects that all such expenditures and costs should ultimately be recoverable through rates for water service.

Employees

As of December 31, 1995, the Company had a total of 140 employees in New Jersey, and Tidewater had a total of 17 employees in Delaware. None of these employees is represented by a union. Management considers its relations with its employees to be satisfactory. Wages and benefits are reviewed annually and are considered competitive within the industry.

Item 2. Properties

The Company's water utility plant consists of source of supply, pumping, water treatment, transmission and distribution and general facilities.

The Company's principal source of supply is the D&R Canal owned by the State of New Jersey and operated as a water resource by the NJWSA.

Water is withdrawn from the D&R Canal at New Brunswick and processed for distribution by the Company. Its facilities consist of an intake and pumping station located on State-owned land bordering the Canal, a water treatment plant in Edison Township (CJO Plant) on property owned by the Company, 4,901 feet of 54-inch reinforced concrete water main connecting the CJO Plant and the intake and pumping station, 23,168 feet of 48-inch reinforced concrete transmission main connecting the water treatment plant to the Company's distribution pipe network, and related storage, pumping, control, laboratory and other facilities. The CJO Plant was placed into service in 1969.

The design capacity of the intake and pumping station in New Brunswick, New Jersey, and the raw water main is 80 mgd. The four electric motor-driven vertical turbine pumps presently installed have an aggregate design capacity of 65 mgd. The station is designed to permit its pumping capacity to be increased to 80 mgd by the installation of additional pumping units without structural changes. The station has an emergency power supply provided by a diesel-driven generator which, in the event of a power failure, will automatically become the power source to provide uninterrupted water service.

The CJO Plant includes chemical storage and chemical feed equipment, dual-rapid mixing basins, four reinforced concrete mechanical flocculation compartments, four underground reinforced concrete settling basins, eight rapid filters containing gravel, sand and anthracite for water treatment and a steel wash-water tank. The nominal design capacity of the CJO Plant is 30 mgd (45 mgd maximum capacity). Provision has been made to increase the nominal design capacity to 60 mgd (90 mgd maximum capacity) by the future construction of additional treatment facilities. The Company is currently studying treatment technologies prior to making a decision on the expansion of this facility.

The main pumping station at the CJO Plant has a design capacity of 90 mgd. The four electric motor-driven vertical turbine pumps presently installed have an aggregate capacity of 65 mgd. The station is constructed so that an additional pumping unit can be installed without structural change.

In addition to the main pumping station at the CJO Plant, there is a l5 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 l0 mg reservoir directly into the distribution system.

The Company also owns property and other facilities located at the Robinson's Branch of the Rahway River. The storage facilities, consisting of an impounding reservoir, have been classified as nonutility plant. They are located in Clark Township, near the north central part of the territory served. The reservoir has a capacity of 232 mg and a tributary drainage area of approximately 25 square miles. There are no treatment facilities at this site.

The Company owns the properties on which its 32 wells are located. The Company owns its two-building headquarters complex at 1500 Ronson Road, Iselin, New Jersey, consisting of a 27,000 square foot, two-story office building and a 16,500 square foot maintenance facility. The Company's Delaware operations are managed from Tidewater's newly leased offices in Odessa, Delaware. The property, owned by White Marsh Environmental Systems, Inc., a wholly-owned subsidiary of Tidewater consists of a newly renovated 1,600 square foot building situated on a one (1) acre lot with ample room for expansion. The area is commercially zoned. Pinelands Water owns the well site properties which are located in Southampton Township, New Jersey. The 12 acre wastewater plant site is owned by Pinelands Wastewater.

Middlesex storage facilities consist of a 10 mg reservoir at the CJO Plant, 5 mg and 2 mg reservoirs in Edison (Grandview), 5 mg reservoir in Carteret (Eborn) and 2 mg reservoir at the Park Avenue Well Field. Pinelands Water storage facility is a 1.2 mg standpipe. Tidewater's systems include 18 ground level storage tanks with the following capacities; 11 - 30,000 gallons, 4 - 25,000 gallons, 2 - 120,000 gallons and 1 - 82,000 gallons.

Item 3. Legal Proceedings

A local entity and its owner have filed a negligence claim against the Company, for which the Company is insured, with a claim for punitive damages which may not be insured. Their action alleges financial losses arising out of improper water pressure and service. An amendment to the claim alleges damages resulting from some poor quality water. Other parties who dealt with the claimants have joined the matter. Without taking a position on the negligence claim, the Company does not believe that the claim for punitive damages will prevail. While the outcome of this case is not presently determinable, management believes that the final resolution will not have a significant effect on the Company's financial position or results of operations or cash flows.

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

None.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

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.

1995	High	Low	Dividend
First Quarter	$17.00	$15.25	$0.27
Second Quarter	16.50	15.25	0.27
Third Quarter	17.75	15.75	0.27
Fourth Quarter	18.75	16.75	0.27 1/2

1994	High	Low	Dividend
First Quarter	$21.25	$19.25	$0.26 1/4
Second Quarter	20.00	16.00	0.26 1/4
Third Quarter	18.25	15.75	0.26 1/4
Fourth Quarter	18.50	16.25	0.27

Approximate Number of Equity Security Holders As of December 31, 1995

Title of Class	Number of Record Holders
Common Stock, No par Value	2,353
Cumulative Preferred Stock, No par Value:	
$7 Series	33
$4.75 Series	1
Cumulative Convertible Preferred Stock, No par Value:	
$7 Series	4

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.

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

Item 6. Selected Financial Data

This information is incorporated herein by reference to the attached Exhibit 13, 1995 Annual Report to Shareholders, Page 21.

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

This information is incorporated herein by reference to the attached Exhibit 13, 1995 Annual Report to Shareholders, Pages 8 and 9.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and Independent Auditors' Report are incorporated herein by reference to the attached Exhibit 13, 1995 Annual Report to Shareholders, Pages 10 through 20. The supplementary data is included as indicated under Part IV, Item 14.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following information is provided with respect to each Director and Executive Officer of the Company.

Name	Age	Director Since	Term Expires	Position
Walter J. Brady	54	N/A	N/A	Vice President-Administration
Ernest C. Gere	63	1988	5/97	Senior Vice President & Chief Financial Officer
Stephen H. Mundy	62	1977	5/98	Director
A. Bruce O'Connor	37	N/A	N/A	Vice President and Controller
Philip H. Reardon	59	1991	5/97	Director
Marion F. Reynolds	56	N/A	N/A	Vice President, Secretary and Treasurer
Richard A. Russo	50	1994	5/98	Executive Vice President
Carolina M. Schneider	77	1982	5/98	Director
William E. Scott	76	1978	5/96	Director
Jeffries Shein	55	1990	5/96	Director
Dennis G. Sullivan	54	N/A	N/A	Vice President and General Counsel, Assistant Secretary-Assistant Treasurer
J. Richard Tompkins	57	1981	5/96	Chairman of the Board and President
Ronald F. Williams	47	N/A	N/A	Vice President-Operations
Joseph S. Yewaisis	56	1989	5/97	Director

Walter J. Brady, who joined the Company in 1962, was elected Assistant Secretary-Assistant Treasurer in 1979, Assistant Vice President in 1982, Vice President-Human Resources in 1987, and Vice President-Administration in 1989. He had served in the capacity of Manager of Accounting from 1977 to 1985. He is a Director of White Marsh Environmental Systems, Inc., Pinelands Water Company, Pinelands Wastewater Company and Utility Service Affiliates, Inc.

Ernest C. Gere, who had been Vice President & Controller of the Company since 1978 was promoted to Senior Vice President & Controller in 1986 and is responsible for rate cases, cash management, financings and pension benefit plans. He was employed by the Company from 1964 to 1970 and from 1976 to present. On January 1, 1992 he assumed the designated title of Senior Vice President & Chief Financial Officer. He is Treasurer and Director of Tidewater Utilities, Inc., Vice President and Director of Pinelands Water Company and Pinelands Wastewater Company. Mr. Gere will retire from active employment with Middlesex and its subsidiaries, effective March 31, 1996.

Stephen H. Mundy until his retirement in 1995, was Vice President of A. Stanley Mundy, Inc., public utility contractors, Virginia Beach, Virginia, since 1985 and was a Partner of A. Stanley Mundy & Co.

A. Bruce O'Connor who joined the Company in 1990 as Assistant Controller was elected Controller in 1992 and Vice President in 1995. He was formerly employed by Deloitte & Touche LLP, a certified public accounting firm from 1984 to 1990. He is Controller of Tidewater Utilities, Inc., and Treasurer of White Marsh Environmental Systems, Inc., and Utility Service Affiliates, Inc.

Philip H. Reardon has been President and Chief Executive Officer of Essex County Gas Company, Amesbury, Massachusetts, since December 1992, and prior to that date was President and Chief Executive Officer of New Jersey Natural Gas Company, Wall, New Jersey since 1987. He is a Director of Essex County Gas Company, New England Gas Association and First Ocean National Bank, Newberry Port, MA.

Marion F. Reynolds who had been Secretary-Treasurer since 1987 was elected Vice President, Secretary and Treasurer in 1993. Prior to her election 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., and Secretary/Treasurer of Pinelands Water Company and Pinelands Wastewater Company and a Director of Utility Service Affiliates, Inc.

Richard A. Russo who had been Vice President-Operations since 1989 was elected Executive Vice President in 1995 and is responsible for engineering, water production, water treatment, and distribution maintenance. He was formerly employed by Trenton Water Works as General Superintendent and Chief Engineer since 1979. He is President and Director of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company and Pinelands Wastewater Company. He is also Executive Vice President and Director of Utility Service Affiliates, Inc.

Carolina M. Schneider, until her retirement in 1987, was Secretary-Treasurer of the Company since 1948.

William E. Scott, until his retirement in 1985, was Senior Executive Vice President of Public Service Electric and Gas Company (PSE&G), Newark, New Jersey since 1984 and had been Executive Vice President-Finance of PSE&G for over five years. He is a Trustee of Delta Dental Plan of New Jersey, Inc.

Jeffries Shein is a Partner in the firm of Jacobson, Goldfarb & Tanzman Associates, a large industrial and commercial brokerage firm in New Jersey. He is a Director of First Savings Bank/SLA of Perth Amboy, New Jersey.

Dennis G. 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 employed in a private law practice from 1981 to 1984 as a staff attorney. He is Assistant Secretary and Assistant Treasurer and a Director of Tidewater Utilities, Inc., Vice President, Secretary and Director of White Marsh Environmental Systems, Inc.; a Director of Pinelands Water Company and Pinelands Wastewater Company and a Director and Secretary of Utility Service Affiliates, Inc.

Ronald F. 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. He was formerly employed with the Garden State Water Company as President and Chief Executive Officer since 1991.

J. Richard Tompkins was elected President of the Company in 1981 and was elected Chairman of the Board in 1990. In 1979 he was employed by Associated Utility Services, an independent utility consulting firm in New Jersey, as Vice President. From 1962 to 1979 he was employed by Buck, Seifert & Jost, Incorporated, consulting engineers in New Jersey and was appointed Vice President in 1973. He is Chairman and Director of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company, Pinelands Wastewater Company and Utility Service Affiliates, Inc. He is also a Director of Raritan Bay Healthcare Foundation.

Joseph S. Yewaisis is Chairman of the Board and President of First Savings Bank/SLA of Perth Amboy, New Jersey and a Director. He is also a Director of Financial Institutions Retirement Fund, Raritan Bay Healthcare Foundation, Chairman of the Board of Regents of St. Peter's College and Chairman of the Board of Raritan Bay Medical Center.

Item 11. Executive Compensation

There is shown below information concerning the annual and long-term compensation for services in all capacities to the Company for the years 1995, 1994 and 1993 of the Chief Executive Officer and the other four most highly compensated officers.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Other Annual Compensation (1)	Restricted Stock Awards (2)	All Other Annual Compensation (3)
J. Richard Tompkins	1995	$217,261	$7,652	$42,188	$7,560
Chairman of the Board	1994	$208,350	$7,491	$22,855	$7,280
and President	1993	$190,150	$6,771	$18,075	$6,720
Ernest C. Gere	1995	$132,100	$7,941	$13,500	$4,620
Senior Vice President &	1994	$128,323	$7,073	$13,060	$4,480
Chief Financial Officer	1993	$119,350	$6,042	$ 9,038	$4,235
Richard A. Russo	1995	$132,885	$5,941	$16,875	$4,616
Executive Vice President	1994	$121,504	$3,236	$13,060	$4,249
	1993	$110,350	$2,676	$12,653	$3,850
Walter J. Brady	1995	$111,350	$3,000	$10,125	$3,885
Vice President-	1994	$107,350	$2,881	$ 9,795	$3,745
Administration	1993	$101,350	$2,828	$ 9,038	$3,535
Dennis G. Sullivan	1995	$106,816	$3,136	$13,500	$3,710
Vice President &	1994	$ 99,754	$2,962	$11,428	$3,479
General Counsel	1993	$ 89,950	$2,716	$ 9,038	$3,136
Assistant Secretary &					
Assistant Treasurer					

(1) Includes Auto Allowance and Group Life Insurance for all officers and Directors Fees for Messrs. Tompkins, Gere and Russo.

(2) The number and value of Restricted Stock held in escrow as of December 31, 1995 were as follows: Mr. Tompkins - 10,900/$166,893; Mr. Gere - 4,500/$68,063; Mr. Russo - 5,300/$81,138; Mr. Brady - 4,100/$61,423; and Mr. Sullivan - 4,800/$72,720. Generally, the restrictions lapse on these awards five years from the date of grant. The restrictions on Mr. Gere's awards will lapse on March 31, 1996, Mr. Gere's retirement date. The restrictions also lapse in the event of a change in control of the Company. All dividends on these shares are paid to the awardees.

(3) Employer contribution to the Company's Defined Contribution Plan.

COMPENSATION PURSUANT TO PENSION PLANS
Annual Benefit based on Compensation and Years of Service

Final Year's Compensation	Years of Service					
	15	20	25	30	35	45
$100,000	$60,611	$60,611	$60,611	$60,611	$60,611	$ 73,102
$125,000	$79,361	$79,361	$79,361	$79,361	$79,361	$ 92,852
$150,000	$98,111	$98,111	$98,111	$98,111	$98,111	$112,602
$175,000	$116,861	$116,861	$116,861	$116,861	$116,861	$116,861
$200,000	$135,611	$135,611	$135,611	$135,611	$135,611	$135,611
$225,000	$154,361	$154,361	$154,361	$154,361	$154,361	$154,361
$250,000	$173,111	$173,111	$173,111	$173,111	$173,111	$173,111
$300,000	$210,611	$210,611	$210,611	$210,611	$210,611	$210,611

All employees who receive pay for 1,000 hours during the year are included in the Plan. Under the noncontributory trusteed defined benefit plan current service costs are funded annually. The Company's annual contribution is determined on an actuarial basis. Benefits are measured from the member's entry date and accrue to normal retirement date or date of early retirement. Benefits are calculated, at normal retirement, at 1.25% of pay up to the Executive's benefit integration level, plus 1.9% of such excess pay, multiplied by service to normal retirement date, capped at 35 years of such excess pay, multiplied by service to normal retirement date of age 65. Average pay is the highest annual average of total pay during any 5 consecutive years within the 10 calendar-year period prior to normal retirement date. The benefit integration level is based on the 1995 Summary Compensation Table. The benefit amounts are not subject to any deduction for Social Security benefits or other offset amounts.

During the year 1995, the Company made a contribution to the Pension Plan in the amount of $372,000. The range of the permissible Plan contribution was $351,000 to $385,000. Remuneration covered under the Pension Plan includes base wages only and not Directors' fees.

The estimated credited years of service based on normal retirement at age 65 includes 22 years, 21 years, 20 years, 44 years and 22 years for Messrs. Tompkins, Gere, Russo, Brady and Sullivan, respectively.

Supplemental Executive Retirement Plan - All executive officers are eligible to participate in the Deferred Compensation Plan known as the Supplemental Executive Retirement Plan at the direction of the Board of Directors.

A participant who retires on his normal retirement date is entitled to an annual retirement benefit equal to 75% of his compensation reduced by his primary Social Security benefit and further reduced by any benefit payable from the Qualified Pension Plan. In certain cases further reductions are made for benefits from other employment.

Vesting provisions start at 50% for 5 years of service and increases 10% for each year of service for a maximum of 100% vesting at 10 years of service. Annual retirement benefits are payable for 15 years either to the participant or his beneficiary.

Retirement benefits may be in the form of single life annuity, joint and 50% survivors annuity, joint and 100% survivors annuity, single life annuity with a 10-year certain period and single life annuity with a 15-year certain period paid on an actuarial equivalent basis.

The Company is not obligated to set aside or earmark any monies or other assets specifically for the purpose of funding the Plan. The benefits are in the form of an unfunded obligation of the Company. The Company has elected to purchase Corporate-owned life insurance as a means of satisfying its obligation under this Plan. The Company reserves the right to terminate any plan of life insurance at any time, however, a participant is entitled to any benefits he would have been entitled to under the Plan provisions. For the year 1995 the Company paid life insurance premiums totaling $131,767, for Messrs. Tompkins, Gere, Russo, Brady and Sullivan, which provides a preretirement net death benefit of 1-1/2 times base salary at date of death.

Defined Contribution Plan - The Company matches 100% of that portion of the contribution which does not exceed 1% of basic pay plus an additional 50% of that portion from 2% to 6% of basic pay. Distributions under the Plan are made upon normal retirement, total and permanent disability or death and are subject to certain vesting provisions as to Company contributions. During 1995, this Plan was converted from an after tax plan to a 401(k) pre tax plan.

Compensation of Directors

A director who is not an officer of the Company or its subsidiary is paid an annual retainer of $6,000, increased from $5,400 and a fee of $500 for attendance at Board of Directors (Board) meetings, a fee of $250 for attendance at special meetings of the Board, and a fee of $150 for attendance at special Board committee meetings by means of communications facilities, and a fee of $350, increased from $300 for each committee meeting attended. Committee chairmen receive an additional $200 for each committee meeting chaired. Directors who are officers of the Company are paid a fee of $250 for each meeting of the Board attended. Directors of all subsidiaries, except USA receive $50 for attendance at Board meetings. All fee increases were effective February 1, 1996.

Compensation Committee Interlocks and Insider Participation

During 1995, the members of the Executive Development and Compensation Committee were William E. Scott, Stephen H. Mundy, and Jeffries Shein. During 1995 no member of the Executive Development and Compensation Committee was an officer or employee of the Company or a subsidiary. Mr. Stephen H. Mundy has a financial interest in a construction company that was awarded a contract in the amount of $0.9 million in 1995.

Report of the Executive Development and Compensation Committee

The compensation program for executive officers of the Company is administered by the Executive Development and Compensation Committee of the Board of Directors. The 1995 Committee was composed of three independent directors: William E. Scott, Stephen H. Mundy and Jeffries Shein. The Committee is responsible for setting and administering the policies which govern annual compensation and Restricted Stock awards. Policies and plans developed by the Committee are approved by the full Board of Directors.

The Committee's compensation policies and plans applicable to the executive officers seek to enhance the profitability of the Company and shareholder value, as well as control costs and maintain reasonable rates for the customers. The Committee's practices reflect policies that compensation should (1) attract and retain well-qualified executives, (2) support short- and long-term goals and objectives of the Company, (3) reward individuals for outstanding contributions to the Company's success, (4) be meaningfully related to the value created for shareholders, and (5) relate to maintenance of good customer relations and reasonable rates.

The Committee meets with Mr. Tompkins to evaluate the performance of the other executive officers and meets in the absence of Mr. Tompkins to evaluate his performance. The Committee reports on all executive evaluations to the full Board of Directors.

Base salary levels are reviewed annually using compensation data produced by an outside compensation expert for similar positions and comparable companies. Base salaries for satisfactory performance are targeted at the median of the competitive market. Individual performance of the executive is determined and taken into account when setting salaries against the competitive market data. The Committee reviews, as well, the individual's efforts on cost control and his or her contributions to the results of the year. The Committee also reviews the Company's financial results compared with prior years and compared with other companies. It compares salaries with both water and general industry salaries.

The factors and criteria upon which Mr. Tompkins' compensation was based generally include those discussed with respect to all the executive officers. Specifically, however, his salary is based on his overall performance and that of the Company. His salary was set at a rate which was approximately the median of the utility market and below that of the general industry. In addition, in evaluating the performance of the CEO, the Committee has taken particular note of management's success with respect to the growth of the Company.

The Company maintains a restricted stock plan for the purpose of attracting and retaining certain key employees of the Company who have contributed, or are likely to contribute, significantly to the long-term performance and growth of the Company. This plan is designed to enhance financial performance, customer service and corporate efficiency through a performance-based stock award. Annual stock awards are based upon several factors including the participant's ability to contribute to the overall success of the Company.

The level of awards and the value of the performance are reviewed annually by the Committee. The Committee submits reports on all executive evaluations and restricted stock awards to the full Board of Directors for approval.

1996 Executive Development and
Compensation Committee
Jeffries Shein, Chairman
Stephen H. Mundy
William E. Scott

Performance Graph

Set forth below is a line graph comparing the yearly change in the cumulative total return (which includes reinvestment of dividends) of a $100 investment for the Company's Common Stock, the NASDAQ and a peer group of investor-owned water utilities for the period of five years commencing December 31, 1990. The peer group includes Aquarion Company, California Water Service Company, Connecticut Water Service, Inc., Consumers Water Company, E'town Corporation, IWC Resources Corporation, Philadelphia Suburban Corporation, SJW Corporation, Southern California Water Company, United Water Resources and the Company.

[GRAPHIC]

In the printed document there is a line graph depicting the following:

	12/31/90	12/31/91	12/31/92	12/31/93	12/31/94	12/31/95
MSEX	$100	$130	$171	$226	$183	$219
NASDAQ	100	161	187	215	210	296
Peer Group	100	130	146	166	155	177

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information made known to the Company as of December 31, 1995 of any person or group to be a beneficial owner of more than five percent of the Company's Common Stock.

Name and Address	Number of Shares Beneficially Owned and Nature of Beneficial Ownership(1)	Percent of Class
PNC Bank Corp. One PNC Plaza Pittsburgh, PA 15265	299,602	7.24

(1) Beneficial owner has sole power to vote and dispose of shares.

The following information pertains to the Common Stock of the Company beneficially owned, directly or indirectly, by all Directors and Officers of the Company as a group, as of December 31, 1995.

	Common Stock	
	Number of Shares	Percent of Class
Walter J. Brady	7,022	.17
Ernest C. Gere	6,490	.16
Stephen H. Mundy	30,154	.73
A. Bruce O'Connor	1,632	.04
Philip H. Reardon	4,487	.10
Marion F. Reynolds	7,562	.18
Richard A. Russo	6,702	.16
Carolina M. Schneider	7,920	.19
William E. Scott	5,071	.12
Jeffries Shein	53,534	1.29
Dennis G. Sullivan	6,568	.16
J. Richard Tompkins	16,958	.41
Ronald F. Williams	48	-
Joseph S. Yewaisis	1,871	.05
Totals	156,019	3.76

No Preferred Stock is beneficially owned, directly or indirectly by any Officer or Director.

Item 13. Certain Relationships and Related Transactions

During 1995, 1994 and 1993, the Company had transactions with a construction company in which a Director has a financial interest. Major construction transactions were awarded on the basis of negotiated bids approved by the Board of Directors (with the interested

Director abstaining) and amounted to $0.9 million, $0.6 million and $0.6 million for the years 1995, 1994 and 1993, respectively. These amounts included less than $0.1 million due the construction company at December 31, 1995, 1994 and 1993.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial Statements

The following information is incorporated herein by reference to the attached Exhibit 13, 1995, Annual Report to Shareholders, pages 8 through 21:

Management's Discussion and Analysis, Pages 8-9

Consolidated Balance Sheets at December 31, 1995, and 1994, Pages 10-11

Consolidated Statements of Income for each of the three years in the period ended December 31, 1995, Page 12

Consolidated Statements of Capital Stock and Long-term Debt at December 31, 1995, and 1994 Page 13

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1995, Page 14

Consolidated Statements of Retained Earnings for each of the three years in the period ended December 31, 1995, Page 15

Notes to Consolidated Financial Statements, Pages 15-20

Independent Auditors' Report, Page 20

(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 on Pages 21-23.

(b) Reports on Form 8-K
    None

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.

Chairman of the Board and President and Director	/J. Richard Tompkins/ J. Richard Tompkins	3/28/96 Date
Senior Vice President & Chief Financial Officer and Director	/Ernest C. Gere/ Ernest C. Gere	3/28/96 Date
Vice President and Controller Principal Accounting Officer	/A. Bruce O'Connor/ A. Bruce O'Connor	3/28/96 Date
Executive Vice President and Director	/Richard A. Russo/ Richard A. Russo	3/28/96 Date
Director	/Stephen H. Mundy/ Stephen H. Mundy	3/28/96 Date
Director	/Philip H. Reardon/ Philip H. Reardon	3/28/96 Date
Director	/Carolina M. Schneider/ Carolina M. Schneider	3/28/96 Date
Director	/William E. Scott/ William E. Scott	3/28/96 Date
Director	/Jeffries Shein/ Jeffries Shein	3/28/96 Date
Director	/Joseph S. Yewaisis/ Joseph S. Yewaisis	3/28/96 Date

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.

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
3.1	Certificate of Incorporation of the Company, as amended, filed as Exhibit 3.1 of 1993 Form 10-K.		
3.2	Bylaws of the Company, as amended.	33-54922	3.2
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	Post Effective Amendments No. 3 and No. 4, Form S-3, under Securities Act of 1933 filed May 28, 1993, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
10.1	Agreement, dated December 4, 1990, between the Company and Elizabethtown Water Company.	33-54922	10.1
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 October 1, 1939, April 1, 1946, April 1, 1949, February 1, 1955 and December 1, 1959.	2-15795	4(a)-4(f)
10.3	Copy of Supplemental Indenture, dated as of January 15, 1963, between the Company and Union County Trust Company, as Trustee.	2-21470	4(b)
10.4	Copy of Supplemental Indentures, dated as of July 1, 1964, June 1, 1965, February 1, 1968, December 1, 1968, December 1, 1970, December 1, 1972 and June 15, 1991, between the Company and Union County Trust Company, as Trustee	33-54922	10.4 - 10.9 and 10.16

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
10.5	Copy of Supplemental Indenture, dated as of April 1, 1979, between the Company and United Counties Trust Company, as successor Trustee.	2-64770	5.9
10.6	Copy of Supplemental Indenture, dated as of April 1, 1983, between the Company and United Counties Trust Company, as successor Trustee.	2-94106	10.12
10.7	Copy of Supplemental Indenture, dated as of August 15, 1988, between the Company and United Counties Trust Company, as Trustee.	33-31476	4.3
10.8	Copy of Trust Indenture, dated as of June 15, 1991, between the New Jersey Economic Development Authority and Midlantic National Bank, as Trustee.	33-54922	10.17
10.9	Copy of Supply Agreement, dated as of November 17, 1986, between the Company and the Old Bridge Municipal Utilities Authority.	33-31476	10.12
10.10	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
10.11	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.		
10.12	Copy of Water Purchase Contract and Supplemental Agreement, dated as of May 12, 1993, between the Company and the New Jersey Water Supply Authority filed as Exhibit No. 10.12 of 1993 Form 10-K.		
10.13	Copy of Treating and Pumping Agreement, dated April 9, 1984, between the Company and the Township of East Brunswick.	33-31476	10.17
10.14	Copy of Supply Agreement, dated June 4, 1990, between the Company and Edison Township.	33-54922	10.24

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
10.15	Copy of Supply Agreement, dated as of December 5, 1991, between the Company and the Borough of Highland Park.	33-54922	10.25
10.16	Copy of Pipeline Lease Agreement, dated as of January 9, 1987, between the Company and the City of Perth Amboy.	33-31476	10.20
10.17	Copy of Supplemental Executive Retirement Plan, effective January 1, 1984, as amended.	33-31476	10.21
10.18	Copy of 1989 Restricted Stock Plan, filed as Appendix A to the Company's Definitive Proxy Statement, dated April 19, 1989, and filed April 5, 1989.	33-31476	10.22
10.19	Amendment to Supplemental Executive Retirement Plan, dated May 23, 1990, filed as Exhibit No. 10.23 of 1991 Form 10-K.		
10.20	Copy of Transmission Agreement, dated October 16, 1992, between the Company and the Township of East Brunswick.	33-54922	10.23
10.21	Copy of Agreement and Plan of Merger, dated January 7, 1992, between the Company, Midwater Utilities, Inc. and Tidewater Utilities, Inc.	33-54922	10.29
10.22	Copy of Supplemental Indentures, dated March 1, 1993 (Series P-1), 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.		
10.23	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.		
*13	Annual Report to Shareholders for the year ended December 31, 1995, pages 8 through 21.		
*23	Independent Auditors' Consent.		
*27	Financial Data Schedule		

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Company's expenditures on property, plant and equipment during 1995 totaled $9.0 million and consisted of the following: $2.3 million for the utility plant purchased by the Pinelands Companies; $3.8 million for routine capital additions, which include transmission and distribution mains, hydrants, service lines, meters, and general equipment; $0.6 million for the Route 1 main relocation; $0.3 million for the South Amboy Transmission Main; and $2.0 million for water systems development in Delaware. These expenditures were financed by some utilization of the December 31, 1994 cash balance, internally-generated funds from operations, the sale of common stock through the Dividend Reinvestment Plan and proceeds from the amortizing secured term note.

The Company has projected capital expenditures of $12.9 million, $17.6 million, and $16.0 million, for 1996, 1997, and 1998, respectively. For 1996, $5.0 million is for routine capital expenditures; $2.6 million for water systems additions and improvements in Delaware; $1.0 million for plant modifications and improvements; $3.5 million for treatment of well supplies; $0.2 million for the South River Basin regional supply; and $0.6 million for miscellaneous items. For 1997 and 1998 combined, $11.1 million is for routine capital expenditures; $21.1 million for treatment plant modifications and improvements; $0.5 million for the South River Basin regional supply; and $0.9 million for miscellaneous items.

Sources of Capital - To finance the 1996 Capital Program, the Company will utilize the balance available under the amortizing secured term note, internally-generated cash and cash balances on hand at December 31, 1995, and possibly short-term borrowings through available lines of credit. The 1997 and 1998 Capital Programs, although not firm at this time, will require some form of external financing.

RESULTS OF OPERATIONS
1995 COMPARED TO 1994

Operating revenues increased $1.7 million or 4.8% over the previous year. Of that amount, $0.5 million is due to the inclusion of the Pinelands Companies for almost nine months during 1995. The remainder is the result of increased consumption, which is due to Tidewater increasing their customer base by 13% and the extended dry weather pattern during the summer.

Operations and maintenance expenses increased by $0.8 million or 4.6% over 1994. Of this increase, $0.4 million relates to the inclusion of the Pinelands Companies. Additionally, there were increases in water treatment of $0.3 million; pumping expenses of $0.2 million; and transmission and distribution expenses of $0.2 million; which were offset by decreases in purchased water of $0.2 million; and administrative and general expenses of $0.1 million.

Depreciation increased $0.2 million or 6.2% due to a higher depreciation base and the inclusion of the newly acquired subsidiaries. Taxes, other than income taxes, increased $0.1 million or 2.5% due largely to higher revenue-related taxes. Federal income taxes increased $0.2 million due to higher taxable income.

Net income increased 3.8% reflecting overall higher revenues, continued monitoring of operating expenses, and a noted increase in Tidewater's customer base.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,' which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The FASB also issued SFAS No. 123, 'Accounting for Stock-Based Compensation.' SFAS No. 123, establishes financial accounting and reporting standards for stock-based compensation plans. The Company is evaluating the requirements of SFAS No. 121 and No. 123, both of which must be adopted in fiscal year 1996 and currently believes that they will not have a material impact on its results of operations or cash flows.

RESULTS OF OPERATIONS
1994 COMPARED TO 1993

Operating revenues increased $0.6 million or 1.7% over the previous year. Of that amount, $1.0 million is due to the 1993 rate increase, and $0.4 million is due to a decrease in consumption for all classes of customers.

Operations and maintenance expenses increased by $0.2 million or 1.3% over 1993. The principal components of the increase were for administrative and general expenses and purchased water.

- --

- --

Depreciation increased $0.3 million or 11.5% due to a higher depreciation base and a higher depreciation rate of 2.17% granted as part of the 1993 rate increase. Taxes, other than income taxes, increased $0.1 million or 2.3% due largely to higher revenue-related taxes. Federal income taxes decreased $0.3 million due to lower taxable income. The other income decreased $0.3 million due to lower earnings on investments, less funds available for investments, and no Allowance for Funds Used During Construction (AFUDC). The decrease in preferred stock dividends reflects the redemption of the $8.25 and $6.00 Redeemable Series and partial redemption of the $7.00 Series.

Net income remained stable despite the less than 2% increase in revenues. This was accomplished by continued monitoring of operating expenses, lower taxes and interest charges, and higher earnings from Tidewater operations.

OUTLOOK FOR 1996

The Company expects modest gains in revenue with the continued growth opportunities in Delaware, the full effect of the service contract with South Amboy and anticipated rate relief for the Pinelands Companies by the fourth quarter. A projected favorable inflation rate, along with low interest rates, are just two of the tools that will assist management in our effort to monitor and control costs and finance future growth at a reasonable cost. The need for base rate case filings for Middlesex and Tidewater will be evaluated if there are deviations from projected growth and consumption levels. Constant monitoring will assure that timely rate relief will be sought.

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 generally accepted accounting principles 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 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.

J. RICHARD TOMPKINS	ERNEST C. GERE	A. BRUCE O'CONNOR
J. Richard Tompkins Chairman of the Board and President	Ernest C. Gere Senior Vice President & Chief Financial Officer	A. Bruce O'Connor Vice President and Controller

February 14, 1996

- --

- --

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS
Assets

		DECEMBER 31, 1995	1994
UTILITY PLANT (NOTE 5):	Water Production	$ 27,598,613	$ 25,612,023
	Transmission and Distribution	97,359,802	93,334,300
	General	18,169,056	11,202,947
	Construction Work in Progress	1,207,538	262,249
	TOTAL	144,335,009	130,411,519
	Less Accumulated Depreciation	26,402,377	21,668,506
	UTILITY PLANT - NET	117,932,632	108,743,013
	NONUTILITY ASSETS - NET	1,735,048	400,209
CURRENT ASSETS:	Cash and Cash Equivalents	4,900,640	3,854,186
	Marketable Securities	1,548	933,298
	Temporary Cash Investments - Restricted	77,190	289,552
	Accounts Receivable	4,224,653	4,236,800
	Unbilled Revenues	2,170,143	2,143,795
	Materials and Supplies (at average cost)	1,030,801	991,116
	Prepayments	584,124	503,808
	TOTAL CURRENT ASSETS	12,989,099	12,952,555
DEFERRED CHARGES:	Unamortized Debt Expense	2,969,281	3,082,420
	Preliminary Survey and Investigation Charges	833,869	653,328
	Regulatory Assets:		
	Income Taxes (Note 3)	6,052,524	4,950,522
	Postretirement Costs (Note 4)	1,108,009	868,008
	Other (Note 2)	1,201,745	762,703
	TOTAL DEFERRED CHARGES	12,165,428	10,316,981
	TOTAL	$144,822,207	$132,412,758

See Notes to Consolidated Financial Statements.

- --

Capitalization and Liabilities

		DECEMBER 31, 1995	1994
CAPITALIZATION (SEE ACCOMPANYING STATEMENTS AND NOTE 9):	Common Stock	$ 28,820,844	$ 27,151,673
	Retained Earnings	18,822,817	17,699,422
	TOTAL COMMON EQUITY	47,643,661	44,851,095
	Cumulative Preferred Stock	2,666,305	2,790,105
	Long-term Debt	52,960,000	49,500,000
	TOTAL CAPITALIZATION	103,269,966	97,141,200
CURRENT LIABILITIES:	Accounts Payable	1,521,515	1,616,945
	Current Portion of Long-term Debt	240,000	--
	Customer Deposits	348,631	308,174
	Taxes Accrued	4,321,919	4,444,372
	Interest Accrued	1,216,851	1,134,223
	Other	1,161,630	877,283
	TOTAL CURRENT LIABILITIES	8,810,546	8,380,997
COMMITMENTS AND CONTINGENT LIABILITIES (NOTE 5)			
DEFERRED CREDITS:	Customer Advances for Construction	9,207,565	9,199,363
	Accumulated Deferred Investment Tax Credits (Note 3)	2,380,416	2,452,096
	Accumulated Deferred Federal Income Taxes (Note 3)	11,147,627	9,767,241
	Other	1,985,654	1,312,961
	TOTAL DEFERRED CREDITS	24,721,262	22,731,661
	CONTRIBUTIONS IN AID OF CONSTRUCTION	8,020,433	4,158,900
	TOTAL	$144,822,207	$132,412,758

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31, 1995	1994	1993
OPERATING REVENUES (NOTE 2)	$37,846,899	$36,122,475	$35,478,810
OPERATING EXPENSES:			
Operations:			
Water Purchased (Note 5)	2,656,423	2,769,265	2,749,514
Other	13,323,581	12,567,008	12,441,830
Maintenance	1,686,051	1,549,970	1,460,476
Depreciation	2,813,927	2,649,657	2,375,910
Taxes, other than Income Taxes	5,479,299	5,343,563	5,222,320
Federal Income Taxes (Note 3)	2,975,227	2,766,361	3,072,303
TOTAL OPERATING EXPENSES	28,934,508	27,645,824	27,322,353
OPERATING INCOME	8,912,391	8,476,651	8,156,457
OTHER INCOME/(EXPENSE):			
Allowance for Funds Used During Construction - Equity	21,654	--	166,724
Other - Net	(115,539)	62,418	170,922
TOTAL OTHER INCOME/(EXPENSE)	(93,885)	62,418	337,646
INCOME BEFORE INTEREST CHARGES	8,818,506	8,539,069	8,494,103
INTEREST CHARGES:			
Interest on Long-term Debt	2,922,008	2,882,731	2,772,227
Allowance for Funds Used During Construction - Debt	(5,606)	--	(108,398)
Amortization of Debt Expense	121,138	118,657	144,043
Other Interest Expense	77,222	42,309	206,605
TOTAL INTEREST CHARGES	3,114,762	3,043,697	3,014,477
NET INCOME	5,703,744	5,495,372	5,479,626
PREFERRED STOCK DIVIDEND REQUIREMENTS	158,932	188,357	255,722
EARNINGS APPLICABLE TO COMMON STOCK	$5,544,812	$ 5,307,015	$ 5,223,904
EARNINGS AND DIVIDENDS PER SHARE OF COMMON STOCK:			
Earnings	$ 1.36	$ 1.33	$ 1.33
Dividends Paid	$ 1.08 1/2	$ 1.05 3/4	$ 1.01 1/4
Average Number of Shares Outstanding	4,078,890	4,003,393	3,924,363

See Notes to Consolidated Financial Statements.

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

	DECEMBER 31, 1995	1994
Common Stock, No Par Value (Notes 4 and 9)		
Shares Authorized - 6,000,000		
Shares Outstanding - 1995 - 4,136,972	$29,110,095	
1994 - 4,030,834		$27,412,913
Restricted Stock Plan	(289,251)	(261,240)
TOTAL COMMON STOCK	$28,820,844	$27,151,673
Cumulative Preference Stock, No Par Value		
Shares Authorized - 100,000		
Shares Outstanding - None		
Cumulative Preferred Stock, No Par Value (Note 9)		
Shares Authorized - 69,418		
Convertible:		
Shares Outstanding, $7.00 Series - 14,901	$ 1,564,605	$ 1,564,605
Nonredeemable:		
Shares Outstanding, $7.00 Series - 1995 - 1,017	101,700	
1994 - 2,255		225,500
Shares Outstanding, $4.75 Series - 10,000	1,000,000	1,000,000
TOTAL CUMULATIVE PREFERRED STOCK	$ 2,666,305	$ 2,790,105
Long-term Debt (Note 9):		
8.02%, Amortizing Secured Note, due December 20, 2021	$ 2,500,000	$ --
7.00%, Promissory Notes due April 21, 2000	1,200,000	--
First Mortgage Bonds:		
7.25%, Series R, due July 1, 2021	6,000,000	6,000,000
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
SUBTOTAL LONG-TERM DEBT	$53,200,000	$49,500,000
Less: Current Portion of Long-term Debt	(240,000)	--
TOTAL LONG-TERM DEBT	$52,960,000	$49,500,000

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME	$ 5,703,744	$ 5,495,372	$ 5,479,626
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	2,925,928	2,961,727	2,789,869
Provision for Deferred Income Taxes	278,384	639,381	5,882
Allowance for Funds Used During Construction	(27,260)	--	(275,122)
Changes in Current Assets and Liabilities:			
Accounts Receivable	12,147	(694,293)	(691,296)
Materials and Supplies	(36,907)	(24,109)	(49,290)
Accounts Payable	(95,430)	144,923	(609,161)
Accrued Income Taxes	(122,453)	77,450	610,448
Accrued Interest	82,628	191,728	(190,808)
Unbilled Revenues	(26,348)	102,820	(254,393)
Other - Net	227,334	(53,483)	209,890
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,921,767	8,841,516	7,025,645
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures*	(8,990,408)	(5,979,113)	(6,910,274)
Notes Receivable	(1,250,000)	--	--
Preliminary Survey & Investigation Charges	(180,541)	11,819	(103,664)
Marketable Securities	931,750	(933,298)	--
Other - Net	(93,919)	(345,778)	(374,369)
NET CASH USED IN INVESTING ACTIVITIES	(9,583,118)	(7,246,370)	(7,388,307)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	--	(12,500,000)	(24,050,000)
Proceeds from Issuance of Long-term Debt	3,700,000	25,000,000	18,500,000
Temporary Cash Investments - Restricted	212,362	2,633,653	896,173
Proceeds from Issuance of Common Stock - Net	1,669,171	928,459	1,579,332
Deferred Debt Issuance Expenses	(53,719)	(1,167,605)	(1,009,839)
Payment of Preferred Dividends	(158,497)	(180,006)	(287,461)
Payment of Common Dividends	(4,421,852)	(4,231,410)	(3,971,830)
Construction Advances and Contributions - Net	884,140	878,204	1,205,394
Redemption of Preferred Stock	(123,800)	(1,248,500)	(66,000)
Short-term Bank Borrowings (Repayments)	--	(9,000,000)	7,950,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,707,805	1,112,795	745,769
NET CHANGES IN CASH AND CASH EQUIVALENTS	1,046,454	2,707,941	383,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,854,186	1,146,245	763,138
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,900,640	$ 3,854,186	$ 1,146,245

*Excludes Allowance for Funds Used During Construction.

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:			
Cash Paid During the Year for:			
Interest (net of amounts capitalized)	$ 2,877,483	$ 2,722,327	$ 2,874,586
Income Taxes	$ 3,078,000	$ 2,453,936	$ 3,028,767

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	YEARS ENDED DECEMBER 31, 1995	1994	1993
BALANCE AT BEGINNING OF YEAR	$17,699,422	$16,615,466	$15,426,065
NET INCOME	5,703,744	5,495,372	5,479,626
TOTAL	23,403,166	22,110,838	20,905,691
CASH DIVIDENDS:			
Cumulative Preferred Stock	158,497	180,006	287,461
Common Stock	4,421,852	4,231,410	3,971,830
COMMON STOCK EXPENSES	--	--	30,934
TOTAL DEDUCTIONS	4,580,349	4,411,416	4,290,225
BALANCE AT END OF YEAR	$18,822,817	$17,699,422	$16,615,466

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(b) System of Accounts - Middlesex, Pinelands Water and Pinelands Wastewater 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 maintains its accounts in accordance with the Public Service Commission of Delaware (PSC).

(c) Utility Plant - 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. Middlesex and Tidewater capitalize an Allowance for Funds Used During Construction on individual projects with costs exceeding specific thresholds for each company. Depreciation is computed by each regulated member of the Consolidated Group utilizing a rate approved by the applicable regulatory authority. The Accumulated Provision for Depreciation is charged with the cost of property retired, together with removal costs, less salvage. 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.

(d) Marketable Securities - Short-term investments in U.S. Treasury Bills not otherwise reported as cash equivalents are recorded at cost, which approximates market value.

(e) Accounts Receivable - Provision for allowance for doubtful accounts at December 31, 1995, 1994 and 1993, and the corresponding expense and deduction for those years, is each less than $0.1 million.

(f) Revenues - In general, revenues are recorded as service is rendered and include estimates for amounts unbilled at the end of the period for water used subsequent to the last billing cycle. Service charges are billed in advance by two subsidiaries and are recognized in revenue as the service is provided.

(g) Deferred Charges - Unamortized Debt Expense is amortized over the lives of the related issues. As authorized by the BPU, main cleaning and lining costs are being amortized over a 14-year period; depreciation study, the alternate treatment pilot study and acquisition costs over 36 months; and rate case expenses over 18 months.

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

(i) 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, commercial paper, money market funds, and U.S. Treasury Bills maturing in less than 90 days.

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

(k) The FASB issued SFAS No. 121, 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,' which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The FASB also issued SFAS No. 123, 'Accounting for Stock-Based Compensation.' SFAS No. 123 establishes financial accounting and reporting standards for stock-based compensation plans. The Company is evaluating the requirements of SFAS No. 121 and No. 123, both of which must be adopted in fiscal year 1996 and currently believes that they will not have a material impact on its results of operations or cash flows.

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

NOTE 2 - RATES AND REVENUES

On April 30, 1993, the BPU approved a stipulation agreed to by the parties to Middlesex's rate case which was filed in September 1992. The stipulation allowed for an overall rate increase of 9.33% or $2.8 million, which was implemented on May 1, 1993, based upon several elements, including an 11.5% return on equity, an increased depreciation rate of 2.17% and the addition of two significant construction projects to Utility Plant in the amount of $13.4 million.

On April 21, 1995, the BPU approved the $2.3 million asset purchase of a 2,200 customer water utility and a 2,200 customer wastewater utility by Pinelands Water Company and Pinelands Wastewater Company, respectively. The transaction was financed by a combination of cash on hand and promissory notes (see Note 9). These systems, which are located in Burlington County, New Jersey, will not have any material impact on the Company's revenues and will require substantial rate increases to attain profitability. Applications for rate relief, which will include the recovery of an acquisition adjustment, are expected to be filed during the first quarter of 1996.

On July 13, 1995, Middlesex received approval from the BPU for a Purchased Water Adjustment Clause (PWAC) rate decrease pertaining to $0.1 million of lower costs. A PWAC is a regulatory vehicle that allows New Jersey water utilities to pass along to, or credit, customers' changes in the cost of purchasing water, without the need for filing a full base rate case. A PWAC was first implemented by Middlesex in July 1994, which allowed for the recovery of $0.1 million of increased costs. The Company expects to file a petition with the BPU during the first quarter of 1996 seeking to change the PWAC for anticipated changes in purchased water costs.

Included in Deferred Charges-Other is $0.1 million of deferred costs at December 31, 1995, which Middlesex is recovering through rates over periods ranging from 3 to 14 years. The BPU has excluded these costs from rate base and, therefore, Middlesex is not earning a return on these costs during the recovery period.

NOTE 3 - INCOME TAXES

Federal 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)		
	1995	1994	1993
Income Tax at Statutory Rate of 34%	$ 2,951	$ 2,809	$ 2,908
Tax Effect of:			
Allowance for Funds Used During Construction	(9)	--	(94)
Other	33	(43)	258
Total Federal Income Tax Expense	$ 2,975	$ 2,766	$ 3,072
Federal income tax expense is comprised of the following:			
Current	$ 2,726	$ 2,219	$ 3,124
Deferred:			
Customer Advances	(265)	(123)	(217)
Accelerated Depreciation	637	617	730
Revenue Taxes	(6)	(403)	(400)
Bond Redemptions	(16)	477	--
Investment Tax Credit	(72)	(72)	(69)
Other	(29)	51	(96)
Total Federal Income Tax Expense	$ 2,975	$ 2,766	$ 3,072

The statutory review period for income tax returns for the years prior to 1992 have been closed.

The Company adopted SFAS No. 109, 'Accounting for Income Taxes', effective January 1, 1993. Adoption of this statement requires that deferred income taxes be set up for all temporary differences regardless of the regulatory ratemaking treatment. However, if it is probable that these additional taxes will be passed on to ratepayers, an offsetting regulatory asset or liability is to be recorded by the Company. Management believes that it is probable that the consolidated deferred income tax liability of approximately $6.1 million, resulting from the adoption of SFAS No. 109, will be recovered in future rates and, therefore, a regulatory asset has been set up to offset the increased liability. The adoption of SFAS No. 109 did not have an effect on the Consolidated Statements of Income.

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:

- --

	1995	1994
	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS)	
Utility Plant Related	$ 15,180	$ 13,613
Customer Advances	(3,856)	(3,740)
Other	(176)	(106)
Total Deferred Tax Liability	$ 11,148	$ 9,767

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Company has a noncontributory defined benefit pension plan which covers substantially all employees with more than 1,000 hours of service. The Company makes annual contributions to the plan consistent with the funding requirements of Federal laws and regulations.

Pension expense for 1995, 1994 and 1993 was $372,000, $218,000, and $240,000, respectively.

Plan assets consist primarily of corporate equities, cash equivalents, and stock and bond funds. The following table sets forth the plan's funded status and amounts recognized in the Company's balance sheets.

	1995	1994
	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS)	
Actuarial present value of plan benefits:		
Vested benefits	$ (8,172)	$ (7,021)
Nonvested benefits	(31)	(43)
Impact of estimated future compensation charges	(2,964)	(2,479)
Projected plan benefits	(11,167)	(9,543)
Plan assets at fair value	11,705	9,443
Plan assets in excess of projected plan benefits	538	(100)
Unrecognized net obligation	86	100
Unrecognized net gain	(701)	(77)
Accrued pension cost recognized in the balance sheet	$ (77)	$ (77)
Net pension cost includes the following components:		
Service cost benefits earned during the period	$ 344	$ 309
Interest cost on projected benefit obligation	763	698
Return on plan assets	(749)	(788)
Net amortization and deferral	14	(1)
Net pension cost	$ 372	$ 218

The assumptions used in determining the actuarial present value of the projected obligation at December 31, 1995, and December 31, 1994, were discount rates of 7.25% and 8.0% and compensation increases of 4.75% and 5.5%, respectively. The expected long-term rate of return on plan assets used in determining net periodic cost was 8.0%.

Effective January 1, 1993, the Company adopted SFAS No. 106, 'Employers' Accounting for Postretirement Benefits Other Than Pensions.' SFAS No. 106 requires employers to accrue the estimated cost of retiree benefit payments during the years the employee provides services.

The Company previously expensed the cost of these benefits, which are principally health care, as premiums were incurred. SFAS No. 106 allows recognition of the cumulative effect of the liability in the year of the adoption or the amortization of the obligation over a period of up to 20 years. Middlesex elected to recognize this obligation of $4.7 million over a period of 20 years.

Middlesex provides certain health care and life insurance benefits for substantially all of its retired employees. In 1995, 1994 and 1993, the Company recognized $185,000, $176,000, and $168,000, respectively, as an expense for postretirement health care and life insurance benefits. The plan's funded status is as follows:

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS) 1995	1994
Retirees	$ 1,623	$ 1,461
Fully eligible plan participants	776	582
Other active plan participants	758	815
Accumulated postretirement benefit obligation	3,157	2,858
Plan assets at fair value	--	--
Unrecognized net gain	1,948	2,242
Unrecognized prior service cost	--	--
Unrecognized transition obligation	(3,997)	(4,232)
Accrued postretirement benefit obligation	$ 1,108	$ 868

Net postretirement benefit cost consisted of the following components:

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS) 1995	1994
Service cost - benefits earned during the year	$ 83	$ 87
Interest cost on accumulated postretirement benefit obligation	212	218
Amortization of net gain	(105)	(104)
Amortization of transition obligation	235	235
Regulatory deferral	(240)	(260)
Net postretirement benefit cost	$ 185	$ 176

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation for 1995 was 8% decreasing linearly each successive year until it reaches 5% in 1998, after which it remains constant. A one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation by 15% and the 1995 net postretirement benefit cost by approximately 11%. The assumed discount rate used in determining the accumulated postretirement benefit

- --

obligation in 1995 and 1994 was 7.25% and 8%, respectively.

Middlesex sought rate relief for the increased costs in the 1993 stipulated rate case. The stipulation, approved by the BPU, provided that the costs 'will continue to be included in Petitioner's cost of service for ratemaking purposes and recoverable in rates on a pay-as-you-go basis; and the costs prudently incurred and booked in accordance with SFAS No. 106 will be recoverable in future rates; and Middlesex will account for the difference between the accrued costs as determined under SFAS No. 106 and the level of pay-as-you-go costs built into rates as a regulatory asset pursuant to SFAS No. 71, 'Accounting for the Effects of Certain Types of Regulation.' SFAS No. 71 allows regulated entities to defer costs that are normally expensed, where it is probable by the actions of the regulator, that recovery in future rates is allowable. The regulatory asset at December 31, 1995 and 1994 was $1.1 million and $0.9 million, respectively.'

The stipulation also provided that 'the issue of cash versus accrual accounting should be revisited, and, to the extent that it is determined that proper ratemaking policy or regulations or policy statements issued by the Financial Accounting Standards Board or the Securities and Exchange Commission require a change to accrual accounting for ratemaking purposes, the accumulated regulatory asset will be recoverable in rates over an appropriate amortization period.'

The Company maintains a restricted stock plan, under which 38,900 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 60,000 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. The expenses for 1995, 1994 and 1993 were not considered material.

NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES

Service Agreement - On May 19, 1995, Middlesex and USA jointly entered into a five-year contract with the City of South Amboy to operate and maintain the City's 2,600 customer water system. The Contract, which is subject to renewal for three future five-year periods, is expected to produce approximately $1.5 million in revenues for the first five years with only a minimal impact on earnings.

Water Supply - Middlesex has an agreement with the Elizabethtown Water Company for the purchase of treated water. This agreement, which expires December 31, 2005, provides for the minimum purchase of 3 million gallons daily (mgd) of treated water with provisions for additional purchases. The minimum purchased under the contract for 1994 and 1993 was 2 mgd. The 1995, 1994 and 1993 costs under this agreement were $0.9 million, $1.0 million and $0.9 million, respectively.

Middlesex also has an agreement with the New Jersey Water Supply Authority (NJWSA), which expires November 1, 2013, and provides for the minimum purchase of 20 mgd of untreated water from the Delaware and Raritan Canal. In addition, the Company has a supplemental one-year agreement for an additional 5 mgd renewed through April 30, 1996. This agreement is renewable on an annual basis. The total costs for 1995, 1994 and 1993 were $1.7 million, $1.8 million and $1.9 million, respectively.

Construction - The Company plans to spend approximately $12.9 million in 1996 on its construction program. 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.

Litigation - A local entity and its owner have filed a negligence claim against the Company, for which the Company is insured, with a claim for punitive damages which may not be insured. Their action alleges financial losses arising out of improper water pressure and service. An amendment to the claim alleges damages resulting from some poor quality water. Other parties who dealt with the claimants have joined the matter. Without taking a position on the negligence claim, the Company does not believe that the claim for punitive damages will prevail. While the outcome of this case is not presently determinable, management believes that the final resolution will not have a significant effect on the Company's financial position or results of operations or cash flows.

NOTE 6 - LINES OF CREDIT AND NOTES PAYABLE

	(THOUSANDS OF DOLLARS)		
	1995	1994	1993
Established Lines of Credit	$20,000	$15,500	$20,000
Amounts Outstanding at December 31	--	--	9,000
Maximum Amount Outstanding	--	11,000	9,000
Average Outstanding Balance	--	1,769	5,435
Weighted Average Interest Rate	--	3.4%	3.5%

Short-term borrowings are generally below the prime rate with no requirements for compensating balances.

Temporary cash investments of $0.1 million at the end of 1995 represented the balance of New Jersey Economic Development Authority (NJEDA) Bond Proceeds held in trust and its use is restricted to specific expenditures.

As part of the service agreement with the City of South Amboy, on June 1, 1995, USA made an investment in the form of a loan of $1.25 million, which is included in nonutility assets on the Consolidated Balance Sheet. Principal repayment and the interest rate are based upon renewal provisions of the contract.

NOTE 7 - RELATED PARTY TRANSACTIONS

During 1995, 1994 and 1993, the Company had transactions with a construction company in which a Director has a financial interest. Major construction transactions were awarded on the basis of negotiated bids approved by the Board of Directors (with the interested Director abstaining) and amounted to $0.9

- --

- --

million, $0.6 million and $0.6 million for the years 1995, 1994 and 1993, respectively. These amounts included less than $0.1 million due the construction company at December 31, 1995, 1994 and 1993.

NOTE 8 - QUARTERLY OPERATING RESULTS - UNAUDITED

Quarterly operating results for 1995 and 1994 are as follows:

1995	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	YEAR
	(THOUSANDS OF DOLLARS EXCEPT PER SHARE DATA)				
Operating Revenues	$ 8,740	$ 9,608	$10,447	$ 9,052	$37,847
Operating Income	1,970	2,285	2,788	1,869	8,912
Net Income	1,213	1,507	1,922	1,062	5,704
Earnings per Common Share	$ 0.29	$ 0.36	$ 0.46	$ 0.25	$ 1.36
1994					
Operating Revenues	$ 8,569	$ 9,196	$ 9,457	$ 8,900	$36,122
Operating Income	1,933	2,214	2,426	1,904	8,477
Net Income	1,208	1,520	1,617	1,150	5,495
Earnings per Common Share	$ 0.29	$ 0.37	$ 0.39	$ 0.28	$ 1.33

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 9 - CAPITALIZATION

All the transactions discussed in Note 9 related to the issuance or redemption of securities were approved by the BPU, except where noted.

Common Stock

In May 1993, the number of shares available for issue and sale under the Company's Dividend Reinvestment and Common Stock Purchase Plan (DRP) was increased by 500,000 to a total of 900,000 shares. The cumulative number of shares issued under the DRP at December 31, 1995 is 629,466.

During 1995, 1994 and 1993, 106,138 shares ($1.7 million), 51,447 shares ($0.9 million), and 88,416 shares ($1.6 million) of common stock were issued under DRP and the restricted stock plan, respectively.

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, 1995, no restrictions were placed on common dividends.

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, 1995, no dividends were in arrears.

The conversion feature of the no par $7.00 Cumulative and Convertible Preferred Stock, which is effective in 1997, allows the security holders to exchange one convertible preferred share for six 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 six shares of the Company's common stock for each share of convertible stock redeemed.

On February 1, 1994, the Company redeemed and retired all the outstanding preferred shares of the $6.00 Series (7,800 shares) and $8.25 Series (4,440 shares) at the stated redemption price of $101 per share, for $1.2 million.

Both the $4.75 Series and the $7.00 Series are redeemable at the option of the Company and in November 1994 an offer to purchase the $7.00 Series at the stated redemption price of $100 per share was extended to all holders of this stock. The Company has purchased and retired 1,483 shares of the $7.00 Series as of December 31, 1995. Since there is no premium associated with the redemption, approval from the BPU was not required.

Long-term Debt

On March 1, 1993, the Company redeemed the $2.5 million, 10.50%, Series P, First Mortgage Bonds, originally due March 1, 2003, and the redemption was funded by issuing Series P-1, First Mortgage Bonds, due December 1, 1993.

On September 29, 1993, the Company issued $18.5 million of First Mortgage Bonds. Proceeds of the $12 million, designated as Series S, with a maturity date of October 1, 2022, and an interest rate of 5.20%, were used to redeem the Series O, First Mortgage Bonds ($9.5 million) and the Series P-1, First Mortgage Bonds ($2.5 million). Proceeds of the $6.5 million, designated as Series T, with a maturity date of October 1, 2023, and an interest rate of 5.25%, were used to fund certain capital projects, including portions of Section B of the South

River Basin Transmission Main and the Park Avenue Well Field Treatment Facilities.

On February 1, 1994, the Company redeemed the $10 million, 8%, Series Q, First Mortgage Bonds, originally due August 1, 2018. This redemption was funded by issuing $10 million, 5.25%, Series V, First Mortgage Bonds, due February 1, 2029.

Series O, P and Q were originally issued in cooperation with the NJEDA. The subsequent redemption of these bonds was also accomplished through the NJEDA.

The interest on the Series S, T and V is tax-exempt for Federal and New Jersey income tax purposes. However, the interest on Series T and V is subject to Alternative Minimum Tax.

On February 2, 1994, the Company issued $15 million of taxable First Mortgage Bonds, designated as Series U, with a maturity date of February 1, 2009, and a coupon rate of 6.40%. In anticipation of this bond issue, the Company redeemed Series J ($2.5 million), Series L ($2.0 million) and Series N ($1.5 million) on December 1, 1993; Series I ($4.8 million) on December 31, 1993; and Series K ($2.5 million) on February 1, 1994. The balance of the proceeds from Series U was used to reimburse the Company for previously incurred financing costs.

On September 13, 1995, Tidewater received approval from the Delaware PSC to borrow up to $3.5 million

- --

- --

through an amortizing secured term bank loan. The terms of the loan agreement provide for a maximum term of twenty five years from the initial advance with the interest rate fixed on the date of any advance by the bank. Tidewater has until December 31, 1996, to draw down the full proceeds of the available loan amount. On October 27, 1995, Tidewater received $2.5 million at a rate of 8.02%. The proceeds of the loan were used to fund 1995 capital expenditures with the balance available to fund 1996 capital expenditures.

As part of the asset purchase by the Pinelands Companies, promissory notes of $1.2 million were issued. The terms of the notes call for a 7% rate of interest payable in annual installments, along with 20% of the original note principal. The final installment is due on April 21, 2000.

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 receivable 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. At December 31, 1995, the carrying amount and fair market value of its Bonds were $49.5 million and $48.4 million, respectively. For other long-term debt for which there were no quoted market prices, it was not practicable to estimate their fair value. The carrying amount of these instruments at December 31, 1995, was $3.5 million. The Company's customer advances for construction have a carrying value of $9.2 million at December 31, 1995. 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.

- --

Independent Auditors' Report

MIDDLESEX WATER COMPANY:

[MIDDLESEX WATER LOGO]

We have audited the accompanying consolidated balance sheets and consolidated statements of capital stock and long-term debt of Middlesex Water Company and its subsidiaries as of December 31, 1995 and 1994 and the related consolidated statements of income, retained earnings and of cash flows for each of the three years in the period ended December 31, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 Middlesex Water Company and its subsidiaries at December 31, 1995 and 1994 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 14, 1996

- --

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

	1995 (2)	1994	1993	1992 (1)	1991
OPERATING REVENUES	$ 37,847	$ 36,122	$ 35,479	$ 30,861	$ 29,853
OPERATING EXPENSES:					
Operations and Maintenance	17,666	16,886	16,653	14,715	13,454
Depreciation	2,814	2,650	2,376	1,961	1,834
Taxes, other than Income Taxes	5,479	5,343	5,222	4,620	5,132
Income Taxes	2,975	2,766	3,072	2,351	2,377
TOTAL OPERATING EXPENSE	28,934	27,645	27,323	23,647	22,797
OPERATING INCOME	8,913	8,477	8,156	7,214	7,056
OTHER INCOME/(EXPENSE) - NET	(94)	62	338	515	205
INCOME BEFORE INTEREST CHARGES	8,819	8,539	8,494	7,729	7,261
INTEREST CHARGES	3,115	3,044	3,014	3,267	3,156
NET INCOME	5,704	5,495	5,480	4,462	4,105
PREFERRED STOCK DIVIDEND REQUIREMENTS	159	188	256	186	161
EARNINGS APPLICABLE TO COMMON STOCK	$ 5,545	$ 5,307	$ 5,224	$ 4,276	$ 3,944
EARNINGS PER SHARE OF COMMON STOCK	$ 1.36	$ 1.33	$ 1.33	$ 1.20	$ 1.14
Average Number of Shares Outstanding for the Year	4,078,890	4,003,393	3,924,363	3,568,499	3,477,406
Dividends Declared and Paid	$ 1.08 1/2	$ 1.05 3/4	$ 1.01 1/4	$ 0.97	$ 0.94 1/2
Total Assets	$ 144,822	$ 132,413	$ 125,676	$ 113,843	$ 100,014
Redeemable Preferred Stock	--	--	$ 1,158	$ 1,224	$ 1,290
Long-term Debt	$ 52,960	$ 49,500	$ 37,000	$ 42,550	$ 45,350

	1990	1985
OPERATING REVENUES	$ 26,417	$ 20,313
OPERATING EXPENSES:		
Operations and Maintenance	13,185	8,722
Depreciation	1,592	1,000
Taxes, other than Income Taxes	4,201	3,325
Income Taxes	1,426	2,296
TOTAL OPERATING EXPENSE	20,404	15,343
OPERATING INCOME	6,013	4,970
OTHER INCOME/(EXPENSE) - NET	282	383
INCOME BEFORE INTEREST CHARGES	6,295	5,353
INTEREST CHARGES	2,828	2,191
NET INCOME	3,467	3,162
PREFERRED STOCK DIVIDEND REQUIREMENTS	166	190
EARNINGS APPLICABLE TO COMMON STOCK	$ 3,301	$ 2,972
EARNINGS PER SHARE OF COMMON STOCK	$ 0.96	$ 1.01
Average Number of Shares Outstanding for the Year	3,439,042	2,938,244
Dividends Declared and Paid	$ 0.92 1/2	$ 0.76
Total Assets	$ 93,093	$ 71,915
Redeemable Preferred Stock	$ 1,356	$ 1,686
Long-term Debt	$ 39,350	$ 30,470

STATISTICAL SUMMARY

	1995 (2)	1994	1993	1992 (1)	1991	1990	1985
REVENUES (Thousands of Dollars):							
Residential	$ 15,202	$ 14,306	$ 14,042	$ 11,733	$ 11,624	$ 10,533	$ 9,420
Commercial	4,393	4,282	4,170	3,616	3,549	3,287	2,497
Industrial	6,669	6,598	6,481	6,044	5,768	5,349	5,193
Fire Protection	4,543	4,352	4,312	3,905	3,772	3,512	2,915

Contract Sales	6,658	6,322	6,232	5,477	5,098	3,635	246
Other	382	262	242	86	42	101	42
TOTAL REVENUES	$ 37,847	$ 36,122	$ 35,479	$ 30,861	$ 29,853	$ 26,417	$ 20,313
CAPITALIZATION RATIOS:							
Long-term Debt	51%	51%	50%	49%	56%	53%	53%
Preferred Stock	3	3	4	5	3	4	5
Common Stock Equity	46	46	46	46	41	43	42
TOTAL RATIOS	100%	100%	100%	100%	100%	100%	100%
BOOK VALUE OF COMMON STOCK	$ 11.52	$ 11.13	$ 10.77	$ 10.29	$ 9.44	$ 9.25	$ 8.18
Meters in Service	61,332	58,371	57,318	56,340	52,356	52,167	50,193
Population Served (Retail)	245,000	233,000	229,000	225,000	209,000	209,000	200,000
Miles of Main (3)	701	663	661	655	654	647	629
Fire Hydrants (3)	4,186	4,092	4,072	4,046	4,024	4,011	3,810
Pumpage (million gallons)	17,380	16,794	16,789	15,174	14,572	13,390	9,275

(1) Includes Tidewater Utilities, Inc. as of October 20, 1992.
(2) Includes Pinelands Water and Pinelands Wastewater as of April 22, 1995.
(3) Excludes Tidewater Utilities, Inc.

EXHIBIT 23

Independent Auditors' Consent

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 February 14, 1996, incorporated by reference in this Annual Report on Form 10-K of Middlesex Water Company and its subsidiaries for the year ended December 31, 1995.

/DELOITTE & TOUCHE LLP/

DELOITTE & TOUCHE LLP
Parsippany, New Jersey
March 28, 1996

UT
000066004
MIDDLESEX WATER COMPANY

12-MOS
DEC-31-1995
DEC-31-1995
PER-BOOK
117,932,632
1,735,048
12,989,099
12,165,428
0
144,822,207
28,820,844
0
18,822,817
47,643,661
0
2,666,305
52,960,000
0
0
0
240,000
0
0
0
41,312,241
144,822,207
37,846,899
2,975,227
25,959,281
28,934,508
8,912,391
(93,885)
8,818,506
3,114,762
5,703,744
158,932
5,544,812
4,421,852
2,885,250
8,921,767
1.36
1.36