UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

(Mark One)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ___________________

Commission File Number 0-422

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

New Jersey	22-1114430
(State of Incorporation)	(IRS employer identification no.)

1500 Ronson Road, Iselin NJ 08830
(Address of principal executive offices, including zip code)

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

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

Title of Each Class:	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|

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2005 was $211,641,354 based on the closing market price of $19.42 per share.

The number of shares outstanding for each of the registrant's classes of common stock, as of March 1, 2006:

Common Stock, No par Value: 11,603,238 shares outstanding

Documents Incorporated by Reference

Proxy Statement to be filed in connection with the Registrant's Annual Meeting of Shareholders to be held on May 24, 2006, which will be filed with the Securities and Exchange Commission within 120 days, is incorporated as to Part III.

MIDDLESEX WATER COMPANY
FORM 10-K

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Forward-Looking Statements

Certain statements contained in this annual report are "forward-looking statements" within the meaning of federal securities laws. Middlesex Water Company (the Company) intends that these statements be covered by the safe harbors created under those laws. These statements include, but are not limited to:

- statements as to expected financial condition, performance, prospects and earnings of the Company;
- statements regarding strategic plans for growth;
- statements regarding the amount and timing of rate increases and other regulatory matters;
- statements regarding expectations and events concerning capital expenditures;
- statements as to the Company's expected liquidity needs during fiscal 2006 and beyond and statements as to the sources and availability of funds to meet its liquidity needs;
- statements as to expected rates, consumption volumes, service fees, revenues, margins, expenses and operating results;
- statements as to the Company's compliance with environmental laws and regulations and estimations of the materiality of any related costs;
- statements as to the safety and reliability of the Company's equipment, facilities and operations;
- statements as to financial projections;
- statements as to the ability of the Company to pay dividends;
- statements as to the Company's plans to renew municipal franchises and consents in the territories it serves;
- expectations as to the amount of cash contributions to fund the Company's retirement benefit plans, including statements as to anticipated discount rates and rates of return on plan assets;
- statements as to trends; and
- statements regarding the availability and quality of our water supply.

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

- the effects of general economic conditions;
- increases in competition in the markets served by the Company;
- the ability of the Company to control operating expenses and to achieve efficiencies in its operations;
- the availability of adequate supplies of water;
- actions taken by government regulators, including decisions on base rate increase requests;
- new or additional water quality standards;
- weather variations and other natural phenomena;
- acts of war or terrorism; and
- other factors discussed elsewhere in this annual report.

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

For an additional discussion of factors that may affect the Company's business and results of operations, see Item 1A.- Risk Factors.

PART I

Item 1. Business.

Overview

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

The terms "the Company," "we," "our," and "us" refer to Middlesex Water Company and its subsidiaries, including Tidewater Utilities, Inc. (Tidewater) and Tidewater's wholly-owned subsidiaries, Southern Shores Water Company, LLC (Southern Shores) and White Marsh Environmental Systems, Inc. (White Marsh). The Company's other subsidiaries are Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands), Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy) Inc., (USA-PA), Bayview Water Company (Bayview), and Tidewater Environmental Services, Inc. (TESI). Effective January 1, 2006, Bayview was merged into Middlesex and ceased being a stand-alone entity.

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

Middlesex System

The Middlesex System in New Jersey provides water services to approximately 58,500 retail customers, primarily in eastern Middlesex County, New Jersey and provides water under wholesale contracts to the Township of Edison, the Boroughs of Highland Park and Sayreville, and both the Old Bridge and the Marlboro Township Municipal Utilities Authorities. The Middlesex System treats, stores and distributes water for residential, commercial, industrial and fire prevention purposes. Under a special contract, the Middlesex System also provides water treatment and pumping services to the Township of East Brunswick. The Middlesex System, through its retail and contract sales, produced approximately 69% of our 2005 revenue.

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

Tidewater System

Tidewater, together with its wholly-owned subsidiary, Southern Shores, provides water services to approximately 28,300 retail customers for domestic, commercial and fire protection purposes in over 271 separate community water systems in New Castle, Kent and Sussex Counties, Delaware. Tidewater has another wholly-owned subsidiary, White Marsh, which operates water and wastewater systems under contract for approximately 4,000 customers and also owns the office building that Tidewater uses as its business office. White Marsh's rates for water and wastewater operations are not regulated by the Delaware Public Service Commission (PSC). The Tidewater System produced approximately 17% of our total revenue in 2005.

Utility Service Affiliates (Perth Amboy)

USA-PA operates the City of Perth Amboy's (Perth Amboy) water and wastewater systems under a 20-year agreement, which expires in 2018. Perth Amboy has a population of approximately 40,000 and has approximately 9,600 customers, most of whom are served by both systems. The agreement was effected under New Jersey's Water Supply Public-Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act and requires USA-PA to lease from Perth Amboy all of its employees who currently work on the Perth Amboy water and wastewater systems. Under the agreement, USA-PA receives both fixed and variable fees based on increased system billing. Fixed fee payments were $7.4 million in 2005 and are to increase over the term of the 20-year contract to $10.2 million. USA-PA produced approximately 10% of our total revenue in 2005.

In connection with the agreement, we guaranteed a series of Perth Amboy's municipal bonds in the principal amount of approximately $26.3 million, of which approximately $23.9 million remains outstanding. In connection with the agreement with Perth Amboy, USA-PA entered into a 20-year subcontract with a wastewater operating company for the operation and maintenance of the Perth Amboy wastewater system. The subcontract provides for the sharing of certain fixed and variable fees and operating expenses.

Pinelands System

Pinelands Water provides water services to approximately 2,400 residential customers in Burlington County, New Jersey. Pinelands Water produced less than 1% of our total revenue in 2005.

Pinelands Wastewater provides wastewater services to approximately 2,400 primarily residential retail customers. Under contract, it also services one municipal wastewater system in Burlington County, New Jersey with about 200 residential customers. Pinelands Wastewater produced approximately 1% of our total revenue in 2005.

Utility Service Affiliates, Inc.

USA provides residential customers a service line maintenance program called LineCareSM. LineCareSM is an affordable maintenance program that covers all parts, material and labor required to repair or replace specific elements of the customer's water service line and customer shut-off valve in the event of a failure. USA produced less than 1% of our total revenue in 2005.

In 2003, Middlesex and USA entered into a venture with an entity that provided meter installation and related services. This venture sought to obtain competitively bid service contracts with municipalities in the Mid-Atlantic and New England regions. The contract work included the following: meter purchases, replacement meter program, new meter program and meter testing. This venture concluded in December 2004 and contributed approximately 3% of our total revenue in 2004, but no revenues in 2005. We do not anticipate pursuing new service contracts in the foreseeable future.

Bayview System

Bayview provides water service to approximately 300 customers in Cumberland County, New Jersey. Bayview produced less than 1% of our total revenue in 2005. Bayview was legally merged into Middlesex effective January 1, 2006.

TESI System

TESI, which began in 2005, provides wastewater services to approximately 20 residential retail customers in Delaware. TESI produced less than 1% of our total revenue in 2005.

Financial Information

Consolidated operating revenues and operating income are as follows:

	(Thousands of Dollars) Years Ended December 31,		
	2005	2004	2003
Operating Revenues	$74,613	$70,991	$64,111
Operating Income	$17,218	$16,933	$14,737

Operating revenues were earned from the following sources:

	Years Ended December 31,		
	2005	2004	2003
Residential	41.9%	39.9%	39.4%
Commercial	9.8	9.5	9.8
Industrial	11.0	10.9	11.1
Fire Protection	10.4	10.2	10.7
Contract Sales	13.4	12.8	13.2
Contract Operations	10.8	11.2	12.6
Other	2.7	5.5	3.2
TOTAL	100.0%	100.0%	100.0%

Water Supplies and Contracts

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

Middlesex System

Our Middlesex System, which produced 17,439 million gallons in 2005, obtains water from surface sources and wells, which we call groundwater sources. In 2005, surface sources of water provided approximately 71% of the Middlesex System's water supply, groundwater from wells provided approximately 22% and the balance of 7% was purchased from a non-affiliated water utility. Middlesex System's distribution storage facilities are used to supply water to its customers at times of peak demand, outages and emergencies.

The principal source of surface water supply for the Middlesex System is the Delaware & Raritan Canal, which is owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority. Middlesex is under contract with the New Jersey Water Supply Authority, which expires November 30, 2023, and provides for an average purchase of 27 million gallons per day (mgd) of untreated water from the Delaware & Raritan Canal, augmented by the Round Valley/Spruce Run Reservoir System. Surface water is pumped to and treated at the Middlesex Carl J. Olsen (CJO) Plant. Middlesex also has an agreement with a nonaffiliated water utility for the purchase of treated water. This long-term agreement, which expired December 31, 2005 and remains in effect on a month-to-month basis, is expected to be renewed for a five-year term under similar terms and conditions, provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases. Purchased water costs are shown below:

	(Millions of Dollars) Years Ended December 31,		
Purchased Water	2005	2004	2003
Untreated	$2.3	$2.2	$2.0
Treated	1.8	2.0	1.8
Total Costs	$4.1	$4.2	$3.8

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

The Middlesex System's groundwater sources are:

Source	No. of Wells	2005 Maximum Use Per Day Pumpage (millions of gallons)	Pump Capacity (mgd)	Location
Park Avenue	15	8.6	15.2	South Plainfield
Tingley Lane North	4	2.8	2.8	Edison
Tingley Lane South	5	2.4	2.6	Edison
Spring Lake	4	0.0	2.8	South Plainfield
Sprague Avenue #1	1	1.1	1.1	South Plainfield
Sprague Avenue #2	1	1.3	1.3	South Plainfield
Maple Avenue	1	0.0	0.9	South Plainfield
Totals	31	16.2	26.7	

Tidewater System

Our Tidewater System, which produced 1,638 million gallons in 2005, obtains 100% of its water from 183 wells. In 2005, we placed 8 new wells in service and also deactivated, sealed and abandoned 27 wells for either water quality reasons or for the purpose of consolidating production facilities for more cost-efficient operation. Tidewater continues to submit applications to Delaware regulatory authorities for the approval of additional wells as growth, demand and water quality warrants. The Tidewater System does not have a central treatment facility but has several regional treatment plants. Several of its water systems in New Castle, Kent and Sussex Counties, Delaware have interconnected transmission systems.

Pinelands System

Water supply to our Pinelands System is derived from four wells drilled into the Mt. Laurel aquifer which provided overall system delivery of 194 million gallons in 2005. The pump capacity for the four wells is 2.2 million gallons per day.

Bayview System

Water supply to Bayview customers is derived from two wells, which provided an overall system delivery of 10 million gallons in 2005. Each well has treatment facilities.

Pinelands Wastewater System

The Pinelands Wastewater System discharges into the South Branch of the Rancocas Creek through a tertiary treatment plant that provides clarification, sedimentation, filtration and disinfection. The total capacity of the plant is 0.5 mgd, and the system provided overall treatment of 9.1 million gallons in 2005. Pinelands has a current valid discharge permit issued by the New Jersey Department of Environmental Protection (DEP).

TESI System

The TESI System discharges to a sub-surface disposal basin. The treatment plant provides clarification, sedimentation, and disinfection. The total capacity of the plant is 48,300 gallons per day. Current average flow is approximately 2,000 gallons per day. TESI has a current valid discharge permit issued by the Delaware Department of Natural Resources and Environmental Control (DNREC).

Employees

As of December 31, 2005, we had a total of 148 employees in New Jersey, and a total of 83 employees in Delaware. In addition, we lease 20 employees under the USA-PA contract with the City of Perth Amboy, New Jersey. No employees are represented by a union except the leased employees who are subject to a collective bargaining agreement with the City of Perth Amboy. We believe our employee relations are good. Wages and benefits, other than for leased employees, are reviewed annually and are considered competitive within both the industry and the regions where we operate.

Competition

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

Regulation

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

Regulation of Rates and Services

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

In determining our rates, the BPU and the PSC consider the income, expenses, rate base of property used and useful in providing service to the public and a fair rate of return on that property each within its separate jurisdiction. Rate determinations by the BPU do not guarantee particular rates of return to us for our New Jersey operations nor do rate determinations by the PSC guarantee particular rates of return for our Delaware operations. Thus, we may not achieve the rates of return permitted by the BPU or the PSC.

Effective December 8, 2005, Middlesex Water Company received approval from the BPU for an 8.7%, or $4.3 million increase in its water rates. This increase represents a portion of the Company's May 2005 request for a total rate increase of 13.1% to cover the costs of its increased capital investment, as well as maintenance and operating expenses.

On August 10, 2005, Pinelands Water and Pinelands Wastewater filed with the BPU for base rate increases of 16.7% and 6.1%, respectively. This increase represents a total increase of approximately $150,000 to help offset the increased costs associated with capital improvements, and the operation and maintenance of those systems.

As part of an approved settlement with the PSC on October 19, 2004, Tidewater was eligible to apply for a second phase rate increase of $0.5 million, provided it completed a number of capital projects within a specified time schedule. Tidewater filed an application for this increase on March 28, 2005. The new rates became effective on April 27, 2005. Tidewater also agreed to waive its right to file Distribution System Improvement Charges (DSIC) applications over the subsequent three six-month cycles (January and July 2005, and January 2006) and to defer making an application for a general rate increase until after April 27, 2006. The DSIC allows a utility to promptly begin recovering depreciation expense and a return on the capital invested for eligible distribution system improvements recently placed into service.

In accordance with the tariff established for Southern Shores, a rate increase of 3% based on the Consumer Price Index was implemented on January 1, 2006. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%. The rates are set to expire on December 31, 2006, and the Company is currently negotiating a new agreement.

There can be no assurance that any future rate increases will be granted or, if granted, that they will be in the amounts requested.

Water Quality and Environmental Regulations

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

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

Well water treatment in our Tidewater System is by chlorination and, in some cases, pH correction and filtration for nitrate and iron removal.

Well water treatment in the Pinelands and Bayview Systems (disinfection only) is done at individual well sites.

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

Management

This table lists information concerning our executive management team:

Name	Age	Principal Position(s)
Dennis G. Sullivan	64	President and Chief Executive Officer (retired January 1, 2006)
Dennis W. Doll	47	President and Chief Executive Officer (effective January 1, 2006)
A. Bruce O'Connor	47	Vice President and Chief Financial Officer
Ronald F. Williams	56	Vice President-Operations and Chief Operating Officer
Kenneth J. Quinn	58	Vice President, General Counsel, Secretary and Treasurer
James P. Garrett	59	Vice President-Human Resources
Richard M. Risoldi	49	Vice President-Subsidiary Operations
Gerard L. Esposito	54	President, Tidewater Utilities, Inc.

Dennis G. Sullivan - Mr. Sullivan has been a Director of Middlesex since 1999. Mr. Sullivan was hired in 1984 as Corporate Attorney, responsible for general corporate internal legal matters. He was elected Assistant Secretary-Assistant Treasurer in 1988 and Vice President and General Counsel in 1990. He was elected President and General Counsel in 2001 and became President and Chief Executive Officer in January 2003. He was Chairman of the Board and a Director of Tidewater Utilities, Inc., Tidewater Environmental Services, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates, Inc., Utility Service Affiliates (Perth Amboy) Inc. and Bayview Water Company. Mr. Sullivan retired all of the officer positions and subsidiary directorships held with the Company effective January 1, 2006. He was also a Director of the New Jersey Utilities Association and the National Association of Water Companies until his retirement on January 1, 2006.

Dennis W. Doll - Mr. Doll, a Certified Public Accountant, joined the Company in November 2004 as Executive Vice President. He was elected President and Chief Executive Officer and became a Director of Middlesex effective January 1, 2006. Prior to joining the Company, Mr. Doll was employed by Elizabethtown Water Company since 1985, serving most recently as a member of the senior leadership team of the Northeast Region of American Water, which was comprised of Elizabethtown Water Company, New Jersey-American Water Company and Long Island Water Corporation and included other regulated and non-regulated subsidiaries. In this capacity, Mr. Doll served as Vice President - Finance & Controller and served previously, as Vice President - Merger Integration. Prior to 2001, Mr. Doll served as Vice President & Controller of Elizabethtown, Elizabethtown's parent company, E'town Corporation, and various other regulated and non-regulated subsidiaries, primarily engaged in the water and wastewater fields. Effective January 1, 2006, Mr. Doll assumed the subsidiary directorships previously held by Mr. Sullivan. Mr. Doll became a director of the New Jersey Utilities Association and the National Association of Water Companies effective January 1, 2006.

A. Bruce O'Connor - Mr. O'Connor, a Certified Public Accountant, joined the Company in 1990 as Assistant Controller and was elected Controller in 1992 and Vice President in 1995. He was elected Vice President and Controller and Chief Financial Officer in 1996. In July 2004, his Controller responsibilities were assigned to the newly created Corporate Controller position. He is responsible for financial reporting, customer service, rate cases, cash management and financings. He is Treasurer and a Director of Tidewater Utilities, Inc., Tidewater Environmental Services, Inc., Bayview Water Company, Utility Service Affiliates, Inc., and White Marsh Environmental Systems, Inc. He is Vice President, Treasurer and a Director of Utility Service Affiliates (Perth Amboy) Inc., Pinelands Water Company and Pinelands Wastewater Company.

Ronald F. Williams - Mr. Williams was hired in 1995 as Assistant Vice President-Operations, responsible for the Company's Engineering and Distribution Departments. He was elected Vice President-Operations in October 1995. Mr. Williams was elected to the additional posts of Assistant Secretary and Assistant Treasurer for Middlesex in 2004. He was formerly employed with the Garden State Water Company as President and Chief Executive Officer. He is a Director and President of Utility Service Affiliates (Perth Amboy) Inc., and Director of Utility Service Affiliates, Inc., Pinelands Water Company, Pinelands Wastewater Company, and Bayview Water Company.

Kenneth J. Quinn - Mr. Quinn joined the Company in 2002 as General Counsel and was elected Assistant Secretary in 2003. In 2004, Mr. Quinn was elected Vice President, Secretary and Treasurer for Middlesex and Secretary and Assistant Treasurer for all subsidiaries of Middlesex. He has been engaged in the practice of law for 29 years and prior to joining the Company he had been employed by the law firm of Schenck, Price, Smith and King in Morristown, New Jersey. Prior to that, Mr. Quinn spent 10 years as in-house counsel to two major banking institutions located in New Jersey. In May 2003, he was elected Assistant Secretary of Tidewater Utilities, Inc., Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates (Perth Amboy) Inc., Bayview Water Company and White Marsh Environmental Systems, Inc. He is a Director of Utility Service Affiliates (Perth Amboy) Inc., Utility Service Affiliates, Inc., Pinelands Water Company, Pinelands Wastewater Company, and Bayview Water Company. He is a member of the New Jersey State Bar Association and is also a member of the Public Utility Law Section of the Bar.

James P. Garrett - Mr. Garrett joined the Company in 2003 as Assistant Vice President-Human Resources. In May 2004, he was elected Vice President- Human Resources. Prior to his hire, Mr. Garrett was employed by Toys "R" Us, Inc. for 23 years, most recently as Director of Organizational Development. Mr. Garrett is responsible for all human resource programs and activities at Middlesex Water Company and its subsidiaries.

Richard M. Risoldi - Mr. Risoldi joined the Company in 1989 as Director of Production, responsible for the operation and maintenance of the Company's treatment and pumping facilities. He was appointed Assistant Vice President of Operations in 2003. He was elected Vice President in May 2004, responsible for regulated subsidiary operations and business development. He is a Director of Tidewater Utilities, Inc., Tidewater Environmental Services, Inc., White Marsh Environmental Systems Inc and USA-PA. He also serves as Director and President of Pinelands Water Company, Pinelands Wastewater Company, Bayview Water Company and Utility Service Affiliates, Inc.

Gerard L. Esposito - Mr. Esposito joined Tidewater Utilities, Inc. in 1998 as Executive Vice President. He was elected President of Tidewater and White Marsh Environmental Systems, Inc. in 2003 and elected President of Tidewater Environmental Services, Inc. in January 2005. Prior to joining the Company he worked for 22 years in various executive positions for Delaware environmental protection and water quality governmental agencies. He is a Director of Tidewater Utilities, Inc., Tidewater Environmental Services, Inc., and White Marsh Environmental Systems, Inc.

Item 1A. Risk Factors.

Our revenue and earnings depend on the rates we charge our customers. We cannot raise utility rates without filing a petition with the appropriate governmental agency. If these agencies modify, delay, or deny our petition, our revenues will not increase and our earnings will decline unless we are able to reduce costs.

The BPU regulates all of our public utility companies in New Jersey with respect to rates and charges for service, classification of accounts, awards of new service territory, acquisitions, financings and other matters. That means, for example, that we cannot raise the utility rates we charge to our customers without first filing a petition with the BPU and going through a lengthy administrative process. In much the same way, the PSC regulates our public utility companies in Delaware. We cannot give assurances of when we will request approval for any such matter, nor can we predict whether the BPU or PSC will approve, deny or reduce the amount of such requests.

Certain costs of doing business are not within our control. The failure to obtain any rate increase would prevent us from increasing our revenues and, unless we are able to reduce costs, would result in reduced earnings.

We are subject to penalties unless we comply with environmental laws and regulations, including water quality regulations. Compliance with those laws and regulations impose costs on us.

The EPA and DEP regulate our operations in New Jersey with respect to water supply, treatment and distribution systems and the quality of the water, as do the EPA, DNREC, DPH and DRBC with respect to operations in Delaware. Federal, New Jersey and Delaware regulations relating to water quality require us to perform expanded types of testing to ensure that our water meets state and federal water quality requirements. We are subject to EPA regulations under the Federal Safe Drinking Water Act, which include the Lead and Copper Rule, the maximum contaminant levels established for various volatile organic compounds, the Federal Surface Water Treatment Rule and the Total Coliform Rule. There are also similar state regulations by the DEP in New Jersey. The DEP and DPH monitor our activities and review the results of water quality tests that we perform for adherence to applicable regulations. In addition, environmental regulatory agencies are reviewing current regulations governing the limits of certain organic compounds found in the water as byproducts of treatment.

The cost to water companies of complying with the proposed water quality standards depends in part on the limits set in the regulations and on the method selected to implement them. Those costs could be very high and make us less profitable if we cannot recover those costs through our rates that we charge our customers.

We depend upon our ability to raise money in the capital markets to finance some of the costs of complying with laws and regulations, including environmental laws and regulations or to pay for some of the costs of improvements or the expansion of our utility system assets. We cannot issue debt or equity securities without regulatory approval.

We require financing to fund the ongoing capital program for the improvement of our utility system assets and for planned expansion of that system. We project that we may expend approximately $156.7 million for capital projects over the next three years. We must have regulatory approval to sell debt or equity securities to raise money for these projects. If sufficient capital is not available or the cost of capital is too high, or if the regulatory authorities deny a petition of ours to sell debt or equity securities, we would not be able to meet the cost of complying with environmental laws and regulations or the costs of improving and expanding our utility system assets. This might result in the imposition of fines or restrictions on our operations and may curtail our ability to improve upon and expand our utility system assets.

Weather conditions and overuse of underground aquifers may interfere with our sources of water, demand for water services, and our ability to supply water to customers.

Our ability to meet the existing and future water demands of our customers depends on an adequate supply of water. Unexpected conditions may interfere with our water supply sources. Drought and overuse of underground aquifers may limit the availability of ground and surface water. These factors might adversely affect our ability to supply water in sufficient quantities to our customers. Governmental drought restrictions might result in decreased use of water services and can adversely affect our revenue and earnings. Additionally, cool and wet weather may reduce consumption demands, also adversely affecting our revenue and earnings. Freezing weather may also contribute to water transmission interruptions caused by pipe and main breakage. Any interruption in our water supply could cause a reduction in our revenue and profitability.

Our water sources may become contaminated by naturally-occurring or man-made compounds and events. This may cause disruption in services and impose costs to restore the water to required levels of quality.

Our sources of water may become contaminated by naturally-occurring or man-made compounds and events. In the event that our water supply is contaminated, we may have to interrupt the use of that water supply until we are able to install treatment equipment or substitute the flow of water from an uncontaminated water source through our transmission and distribution systems. We may also incur significant costs in treating the contaminated water through the use of our current treatment facilities, or development of new treatment methods. Our inability to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost-effective manner may reduce our revenues and make us less profitable.

The necessity for increased security has and may continue to result in increased operating costs.

In the wake of the September 11, 2001 terrorist attacks and the ensuing threats to the health and security of the United States of America, we have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply. We have tightened our security measures regarding the delivery and handling of certain chemicals used in our business. We are at risk for terrorist attacks and have and will continue to incur increased costs for security precautions to protect our facilities, operations and supplies from such risks.

We face competition from other utilities and service providers which might hinder our growth and reduce our profitability.

We face risks of competition from other utilities authorized by federal, state or local agencies. Once a utility regulator grants a service territory to a utility, that utility is usually the only one to service that territory. Although a new territory offers some protection against competitors, the pursuit of service territories is competitive, especially in Delaware where new territories may be awarded to utilities based upon competitive negotiation. Competing utilities have challenged, and may in the future challenge, our applications for new service territories. Also, third parties entering into long-term agreements to operate municipal systems might adversely affect us and our long-term agreements to supply water on a contract basis to municipalities.

We have a long-term contractual obligation for water and wastewater system operation and maintenance under which we may incur costs in excess of payments received.

Middlesex Water Company and USA-PA operate and maintain the water and wastewater systems of the City of Perth Amboy, New Jersey under a multi-year contract. This contract does not protect us against incurring costs in excess of payments we will receive pursuant to the contract. There can be no assurance that we will not experience losses resulting from this contract. Losses under this contract or our failure or inability to perform may have a material adverse effect on our financial condition and results of operations. Also, as of December 31, 2005, approximately $23.9 million of Perth Amboy's bonds we have guaranteed remain outstanding. If Perth Amboy defaults on its obligations to pay the bonds we have guaranteed, we would have to raise funds to meet our obligations under that guarantee.

An important element of our growth strategy is the acquisition of water and wastewater systems. Any pending or future acquisitions we decide to undertake may involve risks.

The acquisition of water and wastewater systems is an important element in our growth strategy. This strategy depends on identifying suitable acquisition opportunities and reaching mutually agreeable terms with acquisition candidates. The negotiation of potential acquisitions as well as the integration of acquired businesses could require us to incur significant costs and cause diversion of our management's time and resources. Further, acquisitions may result in dilution of our equity securities, incurrence of debt and contingent liabilities, fluctuations in quarterly results and other acquisition related expenses. In addition, the business and other assets we acquire may not achieve the sales and profitability expected.

We have restrictions on our dividends. There can also be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

Our Restated Certificate of Incorporation and our Indenture of Mortgage dated as of April 1, 1927, as supplemented, impose conditions on our ability to pay dividends. We have paid dividends on our common stock each year since 1912 and have increased the amount of dividends paid each year since 1973. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on common stock and the amount of those dividends. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

We are subject to anti-takeover measures that may be used by existing management to discourage, delay or prevent changes of control that might benefit non-management shareholders.

Subsection 10A of the New Jersey Business Corporation Act, known as the Shareholder Protection Act, applies to us. The Shareholder Protection Act deters merger proposals, tender offers or other attempts to effect changes in our control that are not negotiated and approved by our Board of Directors. In addition, we have a classified Board of Directors, which means only one-third of the Directors are elected each year. A classified Board can make it harder for an acquirer to gain control by voting its candidates onto the Board of Directors and may also deter merger proposals and tender offers. Our Board of Directors also has the ability, subject to obtaining BPU approval, to issue one or more series of preferred stock having such number of shares, designation, preferences, voting rights, limitations and other rights as the Board of Directors may fix. This could be used by the Board of Directors to discourage, delay or prevent an acquisition that might benefit non-management shareholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Utility Plant

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

Middlesex System

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

Water is withdrawn from the Delaware & Raritan Canal at New Brunswick, New Jersey through our intake and pumping station, which has a design capacity of 80 mgd and is located on state-owned land bordering the canal. The four electric motor-driven, vertical turbine pumps presently installed have an aggregate design capacity of 82 mgd. Water is transported through two of our raw water pipelines for treatment and distribution at our CJO Plant in Edison, New Jersey. One is a 4,900 foot, 54-inch reinforced concrete supply main. The other, which went into service in April 2005, is a 6,100 foot, 60-inch ductile iron main. The design capacity of our raw water supply mains is 80 mgd.

The CJO Plant includes chemical storage and chemical feed equipment, two dual rapid mixing basins, four upflow clarifiers which are also called superpulsators, four underground reinforced chlorine contact tanks, twelve rapid filters containing gravel, sand and anthracite for water treatment and a steel washwater tank. The CJO Plant also includes a computerized Supervisory Control and Data Acquisitions system to monitor and control the CJO Plant and the water supply and distribution system in the Middlesex System. There is an on site State certified laboratory capable of performing bacteriological, chemical, process control and advanced instrumental chemical sampling and analysis. The firm design capacity of the CJO Plant is 45 mgd (60 mgd maximum capacity). 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 72 mgd.

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

The transmission and distribution system is comprised of 726 miles of mains and includes 23,200 feet of 48-inch reinforced concrete transmission main connecting the CJO Plant to our distribution pipe network and related storage facilities. Also included is a 58,600 foot transmission main and a 38,800 foot transmission main, augmented with a long-term, non-exclusive agreement with the East Brunswick system to transport water to several of our contract customers.

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

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

Tidewater System

The Tidewater System is comprised of 87 production plants that vary in pumping capacity from 26,000 gallons per day to 2.0 mgd. Water is transported to our customers through 478 miles of transmission and distribution mains. Storage facilities include 38 tanks, with an aggregate capacity of 5.0 million gallons. Our Delaware operations are managed from Tidewater's leased offices in Dover, Delaware and Millsboro, Delaware. Tidewater's Dover, Delaware office property, located on property owned by White Marsh, consists of a 6,800 square foot office building situated on an eleven-acre lot. White Marsh also owns a three-acre parcel of raw land for which it is exploring several options for future use.

Pinelands System

Pinelands Water owns well site and storage properties that are located in Southampton Township, New Jersey. The Pinelands Water storage facility is a 1.2 million gallon standpipe. Water is transported to our customers through 18 miles of transmission and distribution mains.

Pinelands Wastewater System

Pinelands Wastewater owns a 12 acre site on which its 0.5 million gallons per day capacity tertiary treatment plant and connecting pipes are located. Its wastewater collection system is comprised of approximately 25 miles of main.

Bayview System

Bayview owns two well sites, which are located in Downe Township, Cumberland County, New Jersey. Water is transported to its customers through our 3.5 mile distribution system.

TESI System

TESI owns a wastewater treatment system located in Sussex County, Delaware on which its 48,300 gallons per day sub-surface treatment plant and connecting pipes are located. The collection system is still being fully installed and has not yet been completed.

USA-PA, USA and White Marsh

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

Item 3. Legal Proceedings

A lawsuit was filed in 1998 against the Company for damages involving the break of both a Company water line and an underground electric power cable containing both electric lines and petroleum based insulating fluid. The electric utility also asserted claims against the Company. The lawsuit was settled in 2003, and by agreement, the electric utility's counterclaim for approximately $1.1 million in damages was submitted to binding arbitration, in which the agreed maximum exposure of the Company is $0.3 million, for which the Company has an accrued liability. While we are unable to predict the outcome of the arbitration, we believe that we have substantial defenses.

During 2005, the Office of State Fire Marshal in Delaware issued a Notice of Violation (NOV) to Tidewater regarding a plan of correction to provide fire protection services to one of its community water systems, based upon a recent interpretation of regulations that have been effective since 1989. Tidewater has appealed this NOV in the Superior Court of the State of Delaware on the grounds that the water system was grandfathered under the 1989 regulations and that due process had not been served in the application of the recent interpretation. It is the Company's position that Tidewater is not required to provide fire protection service to that water system. Should Tidewater not be successful in its appeal, it would be required to install a fire protection system in that system with an estimated capital investment between $0.9 million and $1.6 million. If the Company is unsuccessful in its appeal, we cannot predict what further actions, if any, or the costs or timing thereof, would have on over 60 of Tidewater's other community water systems. However, such amounts could be material. The Company believes that any capital investments resulting from an unfavorable outcome would be a component of its Delaware rate base and therefore, included in future rates. While we are unable to predict the outcome of our appeal, we believe that we have substantial defenses.

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

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

None.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market Information

The Company's common stock is traded on the NASDAQ Stock Market, under the symbol MSEX. The following table shows the range of high and low share prices per share for the common stock and the dividend paid to shareholders in such quarter.

2005	High	Low	Dividend
Fourth Quarter	$23.34	$17.31	$0.1700
Third Quarter	23.47	19.05	0.1675
Second Quarter	20.00	17.07	0.1675
First Quarter	19.16	17.64	0.1675

2004	High	Low	Dividend
Fourth Quarter	$20.72	$17.06	$0.1675
Third Quarter	19.50	16.65	0.1650
Second Quarter	21.81	18.83	0.1650
First Quarter	21.32	19.38	0.1650

(b) Approximate Number of Equity Security Holders as of December 31, 2005

Title of Class	Number of Record Holders
Common Stock, No Par Value	2,074
Cumulative Preferred Stock, No Par Value:	
$7.00 Series	12
$4.75 Series	1
Cumulative Convertible Preferred Stock, No Par Value:	
$7.00 Series	3
$8.00 Series	3

(c) Dividends

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

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

(d) Restricted Stock Plan

The Company maintains a shareholder approved restricted Stock Plan, under which 56,067 shares of the Company's common stock are held in escrow by the Company for key employees. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the grant other than as a result of retirement, death or disability. The maximum number of shares authorized for grant under this plan is 240,000 shares.

(e) Sale of Unregistered Securities

The Company did not issue any shares of unregistered securities during fiscal years 2005, 2004, or 2003.

(f) Issuer Purchases of Equity Securities

The Company did not purchase any shares of its equity securities during fiscal year 2005.

Item 6. Selected Financial Data.

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

	2005	2004	2003	2002	2001
Operating Revenues	$ 74,613	$ 70,991	$ 64,111	$ 61,933	$ 59,638
Operating Expenses:					
Operations and Maintenance	42,156	39,984	36,195	32,767	31,740
Depreciation	6,460	5,846	5,363	4,963	5,051
Other Taxes	8,779	8,228	7,816	7,737	7,594
Total Operating Expenses	57,395	54,058	49,374	45,467	44,385
Operating Income	17,218	16,933	14,737	16,466	15,253
Other Income, Net	740	795	358	442	502
Interest Charges	6,245	5,468	5,227	5,144	5,042
Income Taxes	3,237	3,814	3,237	3,999	3,760
Net Income	8,476	8,446	6,631	7,765	6,953
Preferred Stock Dividend	251	255	255	255	255
Earnings Applicable to Common Stock	$ 8,225	$ 8,191	$ 6,376	$ 7,510	$ 6,698
Earnings per Share:					
Basic	$ 0.72	$ 0.74	$ 0.61	$ 0.73	$ 0.66
Diluted	$ 0.71	$ 0.73	$ 0.61	$ 0.73	$ 0.66
Average Shares Outstanding:					
Basic	11,445	11,080	10,475	10,280	10,131
Diluted	11,784	11,423	10,818	10,623	10,474
Dividends Declared and Paid	$ 0.673	$ 0.663	$ 0.649	$ 0.634	$ 0.623
Total Assets	$324,383	$305,634	$267,956	$251,971	$242,512
Convertible Preferred Stock	$ 2,856	$ 2,961	$ 2,961	$ 2,961	$ 2,961
Long-term Debt	$128,175	$115,281	$ 97,377	$ 87,483	$ 88,140

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

The following discussions of the Company's historical results of operations and financial condition should be read in conjunction with the Company's consolidated financial statements and related notes.

Overview

Middlesex Water Company has operated as a water utility in New Jersey since 1897, and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate a New Jersey municipal water and wastewater system under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services in New Jersey and for water services in Delaware, as to the quality of water service we provide and as to certain other matters. Our TESI subsidiary commenced operations during 2005 as a regulated wastewater utility in Delaware. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

Our New Jersey water utility system (the Middlesex System) provides water services to approximately 58,500 retail customers, primarily in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey with a total population of approximately 267,000. In partnership with our subsidiary, USA-PA, we operate the water supply system and wastewater system for the City of Perth Amboy, New Jersey. Our other New Jersey subsidiaries, Pinelands Water and Pinelands Wastewater, provide water and wastewater services to residents in Southampton Township, New Jersey.

Our Delaware subsidiaries, Tidewater and Southern Shores, provide water services to approximately 28,300 retail customers in New Castle, Kent and Sussex Counties, Delaware. Our TESI subsidiary provides wastewater services to approximately 20 residential retail customers. Our other Delaware subsidiary, White Marsh, services an additional 4,000 customers in Kent and Sussex Counties.

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

Our ability to increase operating income and net income is based significantly on four factors: weather, adequate and timely rate relief, effective cost management, and customer growth. These factors are evident in the discussions below which compare our results of operations from prior years.

Operating Results by Segment

The Company has two operating segments, Regulated and Non-Regulated. Our Regulated segment contributed 89% and 86% of total revenues, and 95% and 95% of net income for the years ended December 31, 2005 and 2004, respectively. The discussion of the Company's results of operations is on a consolidated basis, and includes significant factors by subsidiary. The segments in the tables included below are comprised of the following companies: Regulated- Middlesex, Tidewater, Pinelands, Bayview, Southern Shores, and TESI; Non-Regulated- USA, USA-PA, and White Marsh.

Results of Operations in 2005 Compared to 2004

(Millions of Dollars)
Fiscal Years ended December 31,

	2005 Regulated	2005 Non-Regulated	2005 Total	2004 Regulated	2004 Non-Regulated	2004 Total
Revenues	$66.3	$8.3	$74.6	$60.8	$10.2	$71.0
Operations and maintenance	35.0	7.2	42.2	31.0	9.0	40.0
Depreciation	6.3	0.1	6.4	5.8	0.1	5.9
Other taxes	8.6	0.2	8.8	7.9	0.3	8.2
Operating income	16.4	0.8	17.2	16.1	0.8	16.9
Other income (expense)	0.7	0.0	0.7	0.8	0.0	0.8
Interest expense	6.1	0.1	6.2	5.4	0.1	5.5
Income taxes	2.9	0.3	3.2	3.5	0.3	3.8
Net income	$8.1	$0.4	$8.5	$8.0	$0.4	$8.4

Operating revenues for the year rose $3.6 million, or 5.1% over the same period in 2004. Water sales improved by $3.6 million in our Middlesex system, of which $1.8 million was a result of base rate increases that were granted to Middlesex on May 27, 2004 and December 8, 2005, and $1.8 million was due to increased consumption due to drier weather as compared to the prior year. Customer growth of 9.2% in Delaware provided additional water consumption sales, facility charges and connection fees of $0.9 million, and higher base rates provided $1.0 million. New unregulated wastewater contracts in Delaware provided $0.1 million in additional revenues. USA had reduced revenues of $2.2 million as compared to the prior year period, due to our meter services venture completing its original contracts during December 2004. This decrease was partially offset by increased revenues for USA's LineCareSM maintenance program of $0.1 million. All other operations contributed $0.1 million of additional revenues.

While we anticipate continued organic customer and consumption growth among our Delaware systems, such growth and increased consumption cannot be guaranteed. Our water systems are highly dependent on the effects of weather, which may adversely impact future consumption despite customer growth. Appreciable organic customer and consumption growth is less likely in our New Jersey systems due to the extent to which our service territory is developed.

Operation and maintenance expenses increased $2.2 million or 5.4% as compared to the same period in 2004. In New Jersey, payroll and employee benefits costs increased by $1.9 million. Water production costs for the Middlesex system increased by $0.7 million due to higher demand and increased unit costs for electricity, chemicals and residuals removal. Costs to operate the Tidewater system increased $0.2 million, and increases in our Delaware employee base, general wage increases and higher costs associated with employee medical and retirement benefits increased costs by $1.0 million. Costs for providing services under our contract with the City of Perth Amboy increased by $0.1 million. All other operating costs increased by $0.1 million. The costs of our meter services venture decreased $1.8 million due to the completion of the original projects during December 2004.

Going forward we anticipate increases in electric generation costs by as much as 40% beginning May 1, 2006 in Delaware due to deregulation of electricity. Our pension and postretirement costs increased by $1.1 million during 2005 and we expect these costs to increase by $0.4 million in 2006. Payroll and related employee benefit costs (excluding pension and postretirement expenses previously discussed) are also expected to be higher in 2006. These increasing costs, in addition to higher business insurance, required us to file for a base rate increase with the BPU for Pinelands during 2005 and will require us to file for an increase with the PSC for Tidewater during 2006. We cannot predict whether the BPU or PSC will approve, deny or reduce the amount of any request.

Depreciation expense for 2005 increased by $0.6 million, or 10.5%, due to a higher level of utility plant in service. As our investments in utility plant and operating expenses increase, we continue to seek timely rate relief through base rate filings as discussed above.

Other taxes increased by $0.6 million generally reflecting additional taxes on higher taxable gross revenues, payroll and real estate.

Other income decreased $0.1 million, primarily due to reduced Allowance for Funds Used During Construction (AFUDC) due to reduced capital spending as compared to the prior year.

Interest expense increased by $0.8 million, or 14.2%, as a result of a higher level of long-term debt, and higher average interest rates and increased weighted average short-term borrowings as compared to the prior year period.

Income tax expense based on our current year operating results was $3.8 million, which was partially offset by $0.6 million of tax benefits.

Net income increased to $8.5 million from $8.4 million in the prior year, however basic earnings per share decreased from $0.74 to $0.72. Diluted earnings per share decreased from $0.73 to $0.71. The earnings per share decrease was due to an increase in average shares outstanding as compared to the prior year period as a result of the sale of 700,000 shares of common stock on May 12, 2004, and shares issued under the Company's Dividend Reinvestment Plan during 2005.

Results of Operations in 2004 Compared to 2003

	(Millions of Dollars) Fiscal Years ended December 31,					
	2004			2003		
Amounts in millions	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$60.8	$10.2	$71.0	$55.7	$8.4	$64.1
Operations and maintenance	31.0	9.0	40.0	28.9	7.3	36.2
Depreciation	5.8	0.1	5.9	5.3	0.1	5.4
Other taxes	7.9	0.3	8.2	7.5	0.3	7.8
Operating income	16.1	0.8	16.9	14.0	0.7	14.7
Other income (expense)	0.8	0.0	0.8	0.3	0.0	0.3
Interest expense	5.4	0.1	5.5	5.0	0.2	5.2
Income taxes	3.5	0.3	3.8	3.0	0.2	3.2
Net income	$8.0	$0.4	$8.4	$6.3	$0.3	$6.6

Operating revenues for the year rose $6.9 million, or 10.7% over the same period in 2003. Water sales improved by $2.9 million in our Middlesex system, which was primarily a result of base rate increases. Customer growth of 10.4% in Delaware provided additional consumption revenues of $1.2 million and higher base rates provided $0.8 million. Our meter services venture provided $2.0 million of additional revenues for completed meter installations. New unregulated wastewater contracts in Delaware provided $0.3 million in additional revenues.

Base rate increases for our Pinelands system contributed $0.1 million of additional revenues. Revenues from our operations and maintenance contracts decreased $0.4 million due to scheduled reductions in fixed fees under the City of Perth Amboy contract.

Operation and maintenance expenses increased $3.8 million or 10.5%. In New Jersey, payroll costs, employee benefits and corporate governance related fees increased costs by $1.1 million. Source of supply and pumping costs for the Middlesex system increased by $0.7 million combined due to increased costs for electricity and purchased water. Costs to operate the Tidewater system, as well as an increase in our Delaware employee base, general wage increases and higher costs associated with employee medical and retirement benefits increased costs by $0.6 million. The costs of our meter services venture increased $1.6 million due to completed installations. The costs of our non-regulated wastewater operations and maintenance contracts increased $0.3 million due to additional contracts obtained during the year. These increases were partially offset by $0.4 million of reduced costs related to our City of Perth Amboy contract due to reduced water treatment costs and a decrease of $0.1 million for water main repair costs in our Middlesex system.

Depreciation expense for 2004 increased by $0.5 million, or 9.0%, due to a higher level of utility plant in service.

Other taxes increased by $0.4 million generally reflecting additional taxes on higher taxable gross revenues, payroll and real estate.

AFUDC rose by $0.3 million for the year, due to large construction projects in New Jersey for the RENEW program and a new raw water pipeline. Other income increased $0.1 million, primarily due the recognition of a gain on the sale of real estate that had previously been deferred pending the outcome of the Middlesex rate case.

Interest expense increased by $0.2 million, primarily due to higher average long-term borrowings as compared to the prior year period.

Improved operating results in 2004 compared to 2003 led to higher income taxes of $0.8 million, which was partially offset by $0.2 million of tax benefits.

Net income increased by 27.4% to $8.4 million from $6.6 million in the prior year, and basic earnings per share increased from $0.61 to $0.74. Diluted earnings per share increased from $0.61 to $0.73. The increase in earnings per share was impacted by the higher number of shares outstanding during the current year as a result of the sale of 700,000 shares of common stock in May 2004.

Outlook

In addition to some of the factors previously discussed under "Results of Operations in 2005 Compared to 2004," our revenues are expected to increase in 2006 from anticipated customer growth in Delaware for our regulated water operations and, to a lesser degree, from growth in our regulated wastewater operations in Delaware. We received approval for an 8.7%, or $4.3 million base rate increase for our Middlesex system in December 2005 and implemented the second phase of the settlement of our 2004 Tidewater rate case in April 2005, from which we expect to fully realize on an annualized basis in 2006. During 2005, we also filed for a combined 10.3%, or $0.2 million base rate increase for our Pinelands systems. We expect a decision in the matter during the second quarter of 2006.

We expect to file for a base rate increase for Tidewater during 2006. Revenues and earnings for 2006 will be impacted by the ultimate timing and outcome of the anticipated filing. Revenues and earnings will also be influenced by weather. Changes in these factors, as well as increases in capital expenditures and operating costs are the primary factors that determine the need for rate increase filings.

We continue to explore viable plans to streamline operations and reduce costs in all aspects of our business. We have unique challenges in Delaware, where customer growth continues to exceed industry averages. Part of this unique challenge is that our Delaware operations are a combination of over 87 stand-alone production and distribution systems serving 271 communities.

Our new regulated wastewater operation commenced operations during fiscal 2005. Due to the start-up nature of this operation, we expect our expenses with respect to this subsidiary may marginally exceed its revenues in 2006.

We expect our interest expense to increase during 2006 as a result of incurring a full year of interest expense on the approximately $14.9 million of long-term debt we financed during fiscal 2005 and higher expected average borrowings and interest rates on short-term credit facilities in order to finance a portion of our capital expenditures during the coming year (see Liquidity and Capital Resources).

Our strategy includes continued revenue growth through acquisitions, internal expansion, contract operations and when necessary, rate relief. We will continue to pursue opportunities in both the regulated and non-regulated sectors that are financially sound, complement existing operations and increase shareholder value.

Liquidity and Capital Resources

Cash flows from operations are largely based on three factors: weather, adequate and timely rate increases, and customer growth. The effect of those factors on net income is discussed in results of operations. For 2005, cash flows from operating activities decreased $2.1 million to $13.5 million, as compared to the prior year. This decrease was primarily attributable to the timing of collection of customer accounts and payments to vendors. These decreases in cash flows were partially offset by receipts of advance service fees and the timing of payments for interest and employee benefit plans. The $13.5 million of net cash flow from operations allowed us to fund approximately 53% of our utility plant expenditures for the period internally, with the remainder funded with proceeds from equity issued under our Dividend Reinvestment Plan and both short-term and long-term borrowings.

For 2004, net cash flow from operations of $15.6 million, which increased over 2003 due to improved profitability during the period and the timing of payments made toward prepaid expenses, materials and supplies, and employee benefit plans allowed us to fund approximately 54% of our 2004 utility plant expenditures. Net proceeds from both short-term and long-term borrowings were used to fund the balance of those expenditures.

Increases in certain operating costs will impact our liquidity and capital resources. As described in our results of operations discussion, during 2005 we received rate relief for Middlesex and Tidewater. We also plan to file for a base rate increase for Tidewater in 2006 as a result of continued capital investment in Delaware. We also expect to receive a decision on the requested Pinelands base rate increase in 2006. There is no certainty, however, that the BPU or PSC will approve any or all of this or other future requested increases.

Sources of Liquidity

Short-Term Debt. As of December 31, 2005, the Company has established revolving lines of credit aggregating $40.0 million. At December 31, 2005, the outstanding borrowings under these credit lines were $4.0 million at a weighted average interest rate of 5.09%. As of that date, the Company had borrowing capacity of $36.0 million under its credit lines.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were $9.2 million and $8.9 million at 4.36% and 2.37% for the years ended December 31, 2005 and 2004, respectively.

Long-term Debt. Subject to regulatory approval, the Company periodically finances capital projects under State Revolving Fund (SRF) loan programs in New Jersey and Delaware. These government programs provide financing at interest rates that are typically below rates available in the financial markets. A portion of the borrowings under the New Jersey SRF is interest free. We participated in the Delaware SRF loan programs during 2005 and expect to participate in the 2006 New Jersey SRF program for $4.0 million.

During 2004, Middlesex closed on $16.6 million of first mortgage bonds through the New Jersey Environmental Infrastructure Trust (NJEIT) under the New Jersey SRF loan program in order to finance the costs of a new raw water pipeline and our 2005 and 2006 RENEW programs. The proceeds of these bonds and any interest earned are held by a trustee, and are classified as Restricted Cash on the Consolidated Balance Sheet.

During 2005, Tidewater closed on a $2.0 million loan with the Delaware SRF program and on a $14.0 million secured loan with CoBank, a financial institution specializing in loans to rural utilities. The proceeds were used to fund the ongoing capital program in Delaware.

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

Common Stock. The Company periodically issues shares of common stock in connection with its dividend reinvestment and stock purchase plan. Periodically, the Company may issue additional equity to reduce short-term indebtedness and for other general corporate purposes. The Company issued shares under its Dividend Reinvestment and Common Stock Purchase Plan at a 5% discount for a six-month period during 2005. This allowed the Company to raise $3.7 million through the plan during 2005, an increase of $2.2 million as compared to the prior year. During 2004, the Company issued $15.1 million of common stock, which included a common stock offering of 700,000 shares that was priced at $19.80 in May. The majority of the net proceeds of approximately $12.9 million from the common stock offering were used to repay most of the Company's short-term borrowings outstanding at that time.

Capital Expenditures and Commitments

As shown in the following table, we expect our capital expenditures in 2006, 2007 and 2008 to increase over the 2005 amount of $25.3 million. These increases are attributable to anticipated acquisitions and development for the TESI system and continued customer growth and service improvement requirements in our Tidewater systems in Delaware, where we spent $11.2 million on utility plant in 2005.

	(Millions of Dollars)		
	2006	2007	2008
Delaware Water Systems	$ 20.2	$ 19.4	$ 16.3
Delaware Wastewater Systems	13.9	30.5	8.8
RENEW Program	3.3	3.3	3.3
Scheduled Upgrades to Existing Systems	7.1	15.3	15.3
Total	$ 44.5	$ 68.5	$ 43.7

Under our capital program for 2006, we plan to expend $20.2 million for additions and improvements for our Delaware water systems, which include the construction of several storage tanks and the creation of new wells and interconnections. We expect to spend approximately $13.9 million for system additions and acquisitions for our Delaware wastewater systems. We expect to spend $3.3 million for our RENEW program, which is our program to clean and cement line unlined mains in the Middlesex System. There remains a total of approximately 120 miles of unlined mains in the 730-mile Middlesex System. In 2005, nine miles of unlined mains were cleaned and cement lined. The capital program also includes $7.1 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of $1.4 million for improvements to existing plant, $1.0 million for mains, $0.8 million for service lines, $0.4 million for meters, $0.3 million for hydrants, and $3.2 million for other infrastructure needs.

To pay for our capital program in 2006, we will utilize internally generated funds and funds available and held in trust under existing NJEIT loans (currently, $4.2 million) and Delaware SRF loans (currently, $2.9 million). The SRF programs provide low cost financing for projects that meet certain water quality and system improvement benchmarks. If necessary, we will also utilize short-term borrowings through $36.0 million of available lines of credit with several financial institutions. As of December 31, 2005, we had $4.0 million outstanding against the lines of credit.

Going forward into 2007 through 2008, we currently project that we will be required to expend approximately $112.2 million for capital projects. To the extent possible and because of favorable interest rates available to regulated water utilities, we will finance our capital expenditures under the SRF loan programs. We also expect to use internally generated funds and proceeds from the sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan. We also expect to sell shares of our common stock through a public offering in late 2006 or early 2007.

Tidewater is appealing a Notice of Violation regarding a plan of correction to a community water system to provide fire protection services with an estimated capital investment cost of between $0.9 million and $1.6 million. Should we not be successful in asserting our defense, over 60 additional community water systems could be subject to similar corrective plans of action. While we are unable to estimate the potential capital investment costs for these additional community water systems at this time, Tidewater believes these expenditures would be subject to recovery in rates as set by the PSC. See Item 3. - Legal Proceedings for additional discussion of this matter.

Contractual Obligations

In the course of normal business activities, the Company enters into a variety of contractual obligations and commercial commitments. Some of these items result in direct obligations on the Company's balance sheet while others are commitments, some firm and some based on uncertainties, which are disclosed in the Company's underlying consolidated financial statements.

The table below presents our known contractual obligations for the periods specified as of December 31, 2005.

	(Millions of Dollars) Payment Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term Debt	$130.1	$ 1.9	$ 5.0	$ 5.2	$118.0
Notes Payable	4.0	4.0	--	--	--
Interest on Long-term Debt	110.0	6.5	12.8	10.6	80.1
Purchased Water Contracts	27.5	4.0	8.2	8.2	7.1
Wastewater Operations	59.3	3.9	8.1	8.5	38.8
Total	$330.9	$ 20.3	$ 34.1	$ 32.5	$244.0

Guarantees

USA-PA operates the City of Perth Amboy's (Perth Amboy) water and wastewater systems under a service contract agreement through June 30, 2018. The agreement was effected under New Jersey's Water Supply Public/Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives a fixed fee and a variable fee based on increased system billing. Scheduled fixed fee payments were $7.4 million in 2005 and will increase over the term of the contract to $10.2 million at the end of the contract.

In connection with the agreement, Perth Amboy, through the Middlesex County Improvement Authority, issued approximately $68.0 million in three series of bonds. Middlesex guaranteed one of those series of bonds, designated the Series C Serial Bonds, in the principal amount of approximately $26.3 million. Perth Amboy guaranteed the two other series of bonds. The Series C Serial Bonds have various maturity dates with the final maturity date on September 1, 2015. As of December 31, 2005, approximately $23.9 million of the Series C Serial Bonds remained outstanding.

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

Critical Accounting Policies and Estimates

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

Regulatory Accounting

We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for 89% of Operating Revenues and 99% of Total Assets, are subject to regulation in the states in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance provided in the Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting For the Effects of Certain Types of Regulation" (SFAS 71).

In accordance with SFAS No. 71, costs and obligations are deferred if it is probable that these items will be recognized for rate-making purposes in future rates. Accordingly, we have recorded costs and obligations, which will be amortized over various future periods. Any change in the assessment of the probability of rate-making treatment will require us to change the accounting treatment of the deferred item. We have no reason to believe any of the deferred items that are recorded would be treated differently by the regulators in the future.

Revenues

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

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

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

Pension Plan

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

The discount rate utilized for determining future pension obligations has decreased from 6.00% at December 31, 2003 to 5.88% at December 31, 2004 to 5.52% at December 31, 2005. Lowering the discount rate by 0.5% would have increased the net periodic pension cost by $0.3 million in 2005. Lowering the expected long-term rate of return on the pension plans by 0.5% (from 8.0% to 7.5%) would have increased the net periodic pension cost in 2005 by approximately $0.1 million.

The discount rate for determining future pension obligations is determined based on market rates for long-term, high-quality corporate bonds at our December 31 measurement date. The expected long-term rate of return for pension assets is determined based on historical returns and our asset allocation.

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

Recent Accounting Standards

See Note 1(m) of the Notes to Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Item 7A. Qualitative and Quantitative Disclosures About Market Risk.

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have final maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately $1.9 million of the current portion of 15 existing long-term debt instruments will mature. Combining this amount with the $4.0 million in short-term debt outstanding at December 31, 2005, and applying a hypothetical change in the rate of interest charged by 10% on those borrowings, would not have a material effect on our earnings.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Middlesex Water Company:

We have audited the accompanying consolidated balance sheets and consolidated statements of capital stock and long-term debt of Middlesex Water Company and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of income, common stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Parsippany, New Jersey
March 16, 2006

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS		December 31, 2005	2004
UTILITY PLANT:	Water Production	$ 91,403,549	$ 82,340,798
	Transmission and Distribution	217,098,466	194,531,035
	General	23,292,087	20,451,215
	Construction Work in Progress	6,127,634	13,013,391
	TOTAL	337,921,736	310,336,439
	Less Accumulated Depreciation	54,960,290	52,017,761
	UTILITY PLANT - NET	282,961,446	258,318,678
CURRENT ASSETS:	Cash and Cash Equivalents	2,983,762	4,034,768
	Accounts Receivable, net	8,074,929	6,316,853
	Unbilled Revenues	3,737,627	3,572,713
	Materials and Supplies (at average cost)	1,259,935	1,203,906
	Prepayments	927,254	823,976
	TOTAL CURRENT ASSETS	16,983,507	15,952,216
DEFERRED CHARGES AND OTHER ASSETS:	Unamortized Debt Expense	3,164,043	3,172,254
	Preliminary Survey and Investigation Charges	1,774,817	1,032,182
	Regulatory Assets	7,469,190	8,198,565
	Operations Contracts Fees Receivable	685,599	685,599
	Restricted Cash	5,782,705	13,257,106
	Non-utility Assets - Net	5,042,207	4,552,023
	Other	519,610	465,419
	TOTAL DEFERRED CHARGES AND OTHER ASSETS	24,438,171	31,363,148
	TOTAL ASSETS	$ 324,383,124	$ 305,634,042

CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	$ 76,160,949	$ 71,979,902
	Retained Earnings	23,638,301	23,103,908
	Accumulated Other Comprehensive Income, net of tax	(206,925)	44,841
	TOTAL COMMON EQUITY	99,592,325	95,128,651
	Preferred Stock	3,958,062	4,063,062
	Long-term Debt	128,174,944	115,280,649
	TOTAL CAPITALIZATION	231,725,331	214,472,362
CURRENT LIABILITIES:	Current Portion of Long-term Debt	1,930,617	1,091,351
	Notes Payable	4,000,000	11,000,000
	Accounts Payable	6,038,060	6,001,806
	Accrued Taxes	6,466,531	6,784,380
	Accrued Interest	1,868,962	1,703,131
	Unearned Revenues and Advanced Service Fees	473,627	387,156
	Other	707,446	795,456
	TOTAL CURRENT LIABILITIES	21,485,243	27,763,280
COMMITMENTS AND CONTINGENT LIABILITIES (Note 4)			
DEFERRED CREDITS AND OTHER LIABILITIES:	Customer Advances for Construction	17,180,962	14,018,006
	Accumulated Deferred Investment Tax Credits	1,617,949	1,696,566
	Accumulated Deferred Income Taxes	14,296,620	14,556,153
	Employee Benefit Plans	6,650,724	5,464,056
	Regulatory Liability - Cost of Utility Plant Removal	5,647,757	5,363,152
	Other	793,857	849,551
	TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	46,187,869	41,947,484
CONTRIBUTIONS IN AID OF CONSTRUCTION		24,984,681	21,450,916
	TOTAL CAPITALIZATION AND LIABILITIES	$ 324,383,124	$ 305,634,042

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2005	2004	2003
Operating Revenues	$ 74,613,305	$ 70,991,146	$ 64,111,214
Operating Expenses:			
Operations	38,635,382	36,519,355	32,666,099
Maintenance	3,519,914	3,464,036	3,529,113
Depreciation	6,460,241	5,846,191	5,362,727
Other Taxes	8,779,325	8,228,354	7,815,918
Total Operating Expenses	57,394,862	54,057,936	49,373,857
Operating Income	17,218,443	16,933,210	14,737,357
Other Income (Expense):			
Allowance for Funds Used During Construction	547,714	606,019	315,919
Other Income	219,572	221,950	131,499
Other Expense	(27,593)	(32,676)	(89,931)
Total Other Income, net	739,693	795,293	357,487
Income before Interest and Income Taxes	17,958,136	17,728,503	15,094,844
Interest Charges	6,244,671	5,468,576	5,227,030
Income before Income Taxes	11,713,465	12,259,927	9,867,814
Income Taxes	3,237,324	3,814,418	3,237,218
Net Income	8,476,141	8,445,509	6,630,596
Preferred Stock Dividend Requirements	251,286	254,786	254,786
Earnings Applicable to Common Stock	$ 8,224,855	$ 8,190,723	$ 6,375,810
Earnings per share of Common Stock:			
Basic	$ 0.72	$ 0.74	$ 0.61
Diluted	$ 0.71	$ 0.73	$ 0.61
Average Number of Common Shares Outstanding :			
Basic	11,444,785	11,079,835	10,475,295
Diluted	11,783,925	11,422,975	10,818,435
Cash Dividends Paid per Common Share	$ 0.673	$ 0.663	$ 0.649

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended December 31, 2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 8,476,141	$ 8,445,509	$ 6,630,596
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	7,159,670	6,387,808	5,633,863
Provision for Deferred Income Taxes and ITC	164,873	603,275	306,919
Allowance for Funds Used During Construction	(547,714)	(606,019)	(315,919)
Changes in Assets and Liabilities:			
Accounts Receivable	(1,758,076)	(634,245)	345,694
Unbilled Revenues	(164,914)	(337,925)	(53,697)
Materials & Supplies	(56,029)	215,236	(228,805)
Prepayments	(103,278)	185,328	(193,912)
Other Assets	(151,166)	(578,048)	275,802
Operations Contracts Receivable	--	14,207	(699,806)
Accounts Payable	(17,933)	1,224,406	2,260,431
Accrued Taxes	(323,227)	528,715	333,815
Accrued Interest	165,831	(107,508)	196,361
Employee Benefit Plans	709,988	377,068	(192,749)
Unearned Revenue & Advanced Service Fees	86,471	(215,698)	186,265
Other Liabilities	(143,704)	56,913	(236,431)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,496,933	15,559,022	14,248,427
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures*	(25,287,735)	(28,878,576)	(17,576,634)
Cash Surrender Value & Other Investments	(294,372)	(273,837)	(466,290)
Restricted Cash	7,637,175	(9,431,686)	2,321,158
Proceeds from Real Estate Dispositions	--	--	532,922
Preliminary Survey & Investigation Charges	(742,635)	348,589	(282,303)
Other Assets	--	--	(47,264)
NET CASH USED IN INVESTING ACTIVITIES	(18,687,567)	(38,235,510)	(15,518,411)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	(1,214,521)	(1,067,258)	(884,427)
Proceeds from Issuance of Long-term Debt	14,948,082	18,995,153	11,205,723
Net Short-term Bank Borrowings (Repayments)	(7,000,000)	(1,500,000)	(5,150,000)
Deferred Debt Issuance Expenses	(166,477)	(65,219)	(194,484)
Common Stock Issuance Expense	--	(379,534)	(103,284)
Restricted Cash	(162,774)	--	121
Proceeds from Issuance of Common Stock	4,076,047	15,055,874	3,609,859
Payment of Common Dividends	(7,690,462)	(7,375,629)	(6,791,254)
Payment of Preferred Dividends	(251,286)	(254,786)	(254,786)
Construction Advances and Contributions-Net	1,601,019	297,045	(99,768)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,139,628	23,705,646	1,337,700
NET CHANGES IN CASH AND CASH EQUIVALENTS	(1,051,006)	1,029,158	67,716
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,034,768	3,005,610	2,937,894
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,983,762	$ 4,034,768	$ 3,005,610

*Excludes Allowance for Funds Used During Construction.

	2005	2004	2003
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:			
Utility Plant received as Construction Advances and Contributions	$ 5,149,990	$ 2,722,121	$ 3,753,037
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:			
Cash Paid During the Year for:			
Interest	$ 5,990,089	$ 5,409,083	$ 5,061,878
Interest Capitalized	$ (547,714)	$ (606,019)	$ (315,919)
Income Taxes	$ 3,792,000	$ 3,074,513	$ 2,472,000

See Notes to Consolidated Financial Statements.

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

	December 31, 2005	December 31, 2004
Common Stock, No Par Value		
Shares Authorized - 20,000,000		
Shares Outstanding - 2005 - 11,584,499 2004 - 11,358,772	$ 76,160,949	$ 71,979,902
Retained Earnings	23,638,301	23,103,908
Accumulated Other Comprehensive Income, net of tax	(206,925)	44,841
TOTAL COMMON EQUITY	$ 99,592,325	$ 95,128,651
Cumulative Preference Stock, No Par Value:		
Shares Authorized - 100,000		
Shares Outstanding - None		
Cumulative Preferred Stock, No Par Value		
Shares Authorized - 139,497 in 2005 and 140,497 in 2004		
Convertible:		
Shares Outstanding, $7.00 Series - 13,881 in 2005 and 14,881 in 2004	$ 1,457,505	$ 1,562,505
Shares Outstanding, $8.00 Series - 12,000	1,398,857	1,398,857
Nonredeemable:		
Shares Outstanding, $7.00 Series - 1,017	101,700	101,700
Shares Outstanding, $4.75 Series - 10,000	1,000,000	1,000,000
TOTAL PREFERRED STOCK	$ 3,958,062	$ 4,063,062
Long-term Debt		
8.05%, Amortizing Secured Note, due December 20, 2021	$ 2,983,384	$ 3,063,389
6.25%, Amortizing Secured Note, due May 22, 2028	9,415,000	9,835,000
6.44%, Amortizing Secured Note, due August 25, 2030	6,906,667	--
6.46%, Amortizing Secured Note, due September 19, 2031	7,000,000	--
4.22%, State Revolving Trust Note, due December 31, 2022	754,164	784,000
3.30% to 3.60%, State Revolving Trust Note, due May 1, 2025	3,018,254	2,348,316
3.49%, State Revolving Trust Note, due January 25, 2027	278,144	--
4.00% to 5.00%, State Revolving Trust Bond, due September 1, 2021	760,000	790,000
0.00%, State Revolving Fund Bond, due September 1, 2021	614,436	652,306
First Mortgage Bonds:		
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
5.35%, Series W, due February 1, 2038	23,000,000	23,000,000
0.00%, Series X, due September 1, 2018	700,280	755,006
4.25% to 4.63%, Series Y, due September 1, 2018	870,000	920,000
0.00%, Series Z, due September 1, 2019	1,567,367	1,679,979
5.25% to 5.75%, Series AA, due September 1, 2019	1,990,000	2,085,000
0.00%, Series BB, due September 1, 2021	1,926,956	2,048,095
4.00% to 5.00%, Series CC, due September 1, 2021	2,185,000	2,275,000
5.10%, Series DD, due January 1, 2032	6,000,000	6,000,000
0.00%, Series EE, due September 1, 2024	7,715,909	7,715,909
3.00% to 5.50%, Series FF, due September 1, 2024	8,920,000	8,920,000
SUBTOTAL LONG-TERM DEBT	130,105,561	116,372,000
Less: Current Portion of Long-term Debt	(1,930,617)	(1,091,351)
TOTAL LONG-TERM DEBT	$128,174,944	$115,280,649

See Notes to Consolidated Financial Statements.

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

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2003	10,356,489	$ 53,314,169	$ 23,187,076	$ --	$ 76,501,245
Net Income			6,630,596		6,630,596
Change in Value of Equity Investments, Net of $26,000 Income Tax				50,808	50,808
Comprehensive Income					6,681,404
Dividend Reinvestment & Common Stock Purchase Plan	192,515	3,263,569			3,263,569
Restricted Stock Award - Net	17,933	346,290			346,290
Cash Dividends on Common Stock			(6,791,254)		(6,791,254)
Cash Dividends on Preferred Stock			(254,786)		(254,786)
Common Stock Expenses			(103,284)		(103,284)
Balance at December 31, 2003	10,566,937	$ 56,924,028	$ 22,668,348	$ 50,808	$ 79,643,184
Net Income			8,445,509		8,445,509
Change in Value of Equity Investments, Net of $3,000 Income Tax				(5,967)	(5,967)
Comprehensive Income					8,439,542
Dividend Reinvestment & Common Stock Purchase Plan	76,935	1,533,507			1,533,507
Issuance of Common Stock	700,000	13,257,000			13,257,000
Restricted Stock Award - Net	14,900	265,367			265,367
Cash Dividends on Common Stock			(7,375,629)		(7,375,629)
Cash Dividends on Preferred Stock			(254,786)		(254,786)
Common Stock Expenses			(379,534)		(379,534)
Balance at December 31, 2004	11,358,772	$ 71,979,902	$ 23,103,908	$ 44,841	$ 95,128,651
Net Income			8,476,141		8,476,141
Minimum Pension Liability, Net of $135,000 Income Tax				(262,205)	(262,205)
Change in Value of Equity Investments, Net of $5,000 Income Tax				10,439	10,439
Comprehensive Income					8,224,375
Dividend Reinvestment & Common Stock Purchase Plan	194,777	3,640,334			3,640,334
Restricted Stock Award - Net	18,950	435,713			435,713
Preferred Stock Conversion	12,000	105,000			105,000
Cash Dividends on Common Stock			(7,690,462)		(7,690,462)
Cash Dividends on Preferred Stock			(251,286)		(251,286)
Balance at December 31, 2005	11,584,499	$ 76,160,949	$ 23,638,301	$ (206,925)	$ 99,592,325

See Notes to Consolidated Financial Statements.

Note 1 - Summary of Significant Accounting Policies

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

Middlesex Water Company has operated as a water utility in New Jersey since 1897, and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate a New Jersey municipal water and wastewater system under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services in New Jersey and Delaware, as to the quality of services we provide and as to certain other matters. Our TESI subsidiary commenced operations during 2005 as a regulated wastewater utility in Delaware. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

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

(c) Utility Plant is stated at original cost as defined for regulatory purposes. Property accounts are charged with the cost of betterments and major replacements of property. Cost includes direct material, labor and indirect charges for pension benefits and payroll taxes. The cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties is charged to the appropriate expense accounts. At December 31, 2005, there was no event or change in circumstance that would indicate that the carrying amount of any long-lived asset was not recoverable.

(d) Depreciation is computed by each regulated member of the Company utilizing a rate approved by the applicable regulatory authority. The Accumulated Provision for Depreciation is charged with the cost of property retired, less salvage. The following table sets forth the range of depreciation rates for the major utility plant categories used to calculate depreciation for the years ended December 31, 2005, 2004 and 2003. These rates have been approved by either the BPU or PSC:

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

Non-regulated fixed assets consist primarily of an office building, furniture and fixtures, and transportation equipment. These assets are recorded at original cost and depreciation is calculated based on the estimated useful lives, ranging from 3 to 40 years.

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

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

(f) Allowance for Funds Used During Construction (AFUDC) - Middlesex, Tidewater, Pinelands Water, Pinelands Wastewater and Bayview capitalize AFUDC, which represents the cost of financing projects during construction. AFUDC is added to the construction costs of individual projects exceeding specific cost and construction period thresholds established for each company and then depreciated along with the rest of the utility plant's costs over its estimated useful life. For the years ended December 31, 2005, 2004 and 2003 approximately $0.5 million, $0.6 million and $0.3 million of AFUDC was added to the cost of construction projects. AFUDC is calculated using each company's weighted cost of debt and equity as approved in their most recent respective regulatory rate order. The average AFUDC rate for the years ended December 31, 2005, 2004 and 2003 for Middlesex, Tidewater and Bayview were 7.39%, 8.37% and 3.11%, respectively. Pinelands Water and Pinelands Wastewater did not incur AFUDC during the periods covered by this report.

(g) Accounts Receivable - We record bad debt expense based on historical accounts receivable write-offs. The allowance for doubtful accounts was $0.2 million at December 31, 2005, 2004 and 2003. The corresponding expense for the year ended December 31, 2005, 2004 and 2003 was $0.2 million, $0.1 million and $0.2 million, respectively.

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

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

USA bills customers on a quarterly or annual basis for its LineCareSM service line maintenance program. Quarterly amounts billed are recognized as earned. Amounts that are billed on an annual basis are deferred and recognized as revenue ratably over the year.

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

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

(k) Statements of Cash Flows - For purposes of reporting cash flows, the Company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Cash and cash equivalents represent bank balances and money market funds with investments maturing in less than 90 days.

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

(m) Recent Accounting Pronouncements - In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.154, "Accounting Changes and Error Corrections" (SFAS 154), which requires retrospective application to prior periods' financial statements of voluntary changes in accounting principles unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. SFAS 154 replaces Accounting Principles Bulletin (APB) No. 20, "Accounting Changes" (APB 20), and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. APB 20 previously required that most voluntary changes in accounting principles be recognized by including the cumulative effect of changing to the new accounting principle in the net income of the period of the change. SFAS 154 requires that a change in depreciation, amortization or depletion method for long-lived non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle, whereas APB 20 had required accounting for such a change as a change in accounting principle. SFAS 154 carries forward the guidance in APB 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate as well as the requirement for justifying a change in accounting principle on the basis of a preference. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 (January 1, 2006 for the Company).

In December 2004, the FASB issued SFAS No.123(R), "Share-Based Payment" (SFAS 123(R)), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The Statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. The Statement also establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans. This statement was originally effective for quarters beginning after June 15, 2005, however on April 14, 2005, the Securities and Exchange Commission adopted a rule which makes the provisions of SFAS 123(R) effective for the first annual reporting period beginning after June 15, 2005 (January 1, 2006 for the Company). The Company currently recognizes compensation expense at fair value for stock-based payment awards in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation," and does not anticipate adoption of this standard will have a material impact on its financial position, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets- an amendment of APB Opinion No. 29" (SFAS 153). SFAS 153 addresses the measurement of exchanges of nonmonetary assets and redefines the scope of transactions that should be measured based on the fair value of the assets exchanged.

SFAS 153 is effective for nonmonetary asset exchanges occurring in quarters beginning after June 15, 2005. The adoption of this standard did not have an impact on its financial position, results of operations, or cash flows.

On October 22, 2004, the American Jobs Creation Act (AJCA) was signed into law. Among other provisions, the AJCA creates a new deduction for qualified domestic production activities. Certain activities of the Company, such as our water treatment activity, are considered as qualifying production activities for purposes of determining the deduction for qualified production activities. In December 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." In accordance with FSP 109-1, the Company is treating the deduction for qualified domestic production activities as a reduction of the income tax provision in the period as realized. The adoption of this statement has not had a material impact on the Company's financial position, results of operations or cash flows.

In May 2004, the FASB issued FASB Staff Position (FSP) 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP 106-2). FSP 106-2 provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Drug Act) for employers who sponsor postretirement health care plans that provide prescription drug benefits. FSP 106-2 also requires those employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Medicare Drug Act. The Medicare Drug Act generally permits plan sponsors that provide retiree prescription drug benefits that are "actuarially equivalent" to the benefits of Medicare Part D to be eligible for a non-taxable federal subsidy. FSP 106-2 is effective for the first interim or annual period beginning after June 15, 2004. FSP 106-2 provides that if the effect of the Medicare Drug Act is not considered a significant event, the measurement date for the adoption of FSP 106-2 is delayed until the next regular measurement date. Based on discussions with its Actuary, Management determined the effect of the Medicare Drug Act was not a significant event and thus the Company is accounting for the effects of FSP 106-2 as of its next measurement date. The adoption of FSP 106-2 on January 1, 2005 did not have a material effect on the Company's financial statements.

In March 2004, the Emerging Issues Task Force (EITF) reached consensus on EITF No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1). EITF 03-1 further defines the meaning of an "other-than-temporary impairment" and its application to debt and equity securities. Impairment occurs when the fair value of a security is less than its cost basis. When such a condition exists, the investor is required to evaluate whether the impairment is other-than-temporary as defined in EITF 03-1. When an impairment is other-than-temporary, the security must be written down to its fair value. EITF 03-1 also requires additional annual quantitative and qualitative disclosures for available for sale and held to maturity impaired investments that are not other-than temporarily impaired. On September 30, 2004, the FASB issued FSP EITF 03-1-1, "Effective date of Paragraph's 10-20 of EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (FSP EITF 03-1-1). FSP EITF 03-1-1 delayed the effective date for the measurement and recognition guidance contained in EITF 03-1 until further implementation guidance is issued. The Company does not expect any material effects from the adoption of EITF 03-1 on its financial statements.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47), to clarify the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). Conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred, generally, upon acquisition, construction, development and/or through the normal operation of the asset. Uncertainty about the timing and/or method of settlement should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005 for calendar-year enterprises). The adoption of this standard did not have a material impact on the Company's financial position, results of operations, or cash flows.

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

(o) Regulatory Accounting - We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for 89% of Operating Revenues and 99% of Total Assets, are subject to regulation in the state in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance provided SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation."

(p) Pension Plan - We maintain a noncontributory defined benefit pension plan which covers substantially all employees with more than 1,000 hours of service. The discount rate utilized for determining pension costs decreased from 6.75% for the year ended December 31, 2003 to 6.00% for the year ended December 31, 2004 to 5.88% for the year ended December 31, 2005. Future actual pension income will depend on future investment performance, changes in future discount rates and various other factors related to the population participating in the pension plans.

Note 2 - Rate and Regulatory Matters

Effective December 8, 2005, Middlesex received approval from the BPU for an 8.7%, or $4.3 million increase in its water rates. This increase represents a portion of Middlesex's May 2005 request for a total rate increase of 13.1% to cover the costs of its increased capital investment, as well as maintenance and operating expenses.

On August 10, 2005, Pinelands Water and Pinelands Wastewater filed with the BPU for increases of 16.7% and 6.1%, respectively. This increase represents a total base rate increase of approximately $0.2 million to help offset the increased costs associated with capital improvements, and the operation and maintenance of their systems. A decision on this matter is expected during the second quarter of 2006. There can be no assurance that any rate increases will be granted or, if granted, that they will be in the amounts we requested.

As part of an approved settlement with the PSC on October 19, 2004, Tidewater implemented the second phase rate increase of $0.5 million on April 27, 2005. Tidewater also agreed to waive its right to file Distribution System Improvement Charges (DSIC) applications until July 1, 2006 and to defer making an application for a general rate increase until after April 27, 2006. The DSIC allows a utility to promptly begin recovering depreciation expense and a return on the capital invested for eligible distribution system improvements recently placed into service.

In accordance with the tariff established for Southern Shores, an annual rate increase of 3% was implemented on January 1, 2006. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%. The rates are set to expire on December 31, 2006, and the Company is currently negotiating a new agreement.

In December 2005, the BPU approved a merger of Bayview into the Middlesex system effective January 1, 2006. As part of the BPU's stipulation approving the merger, the water service rates for the customers of Bayview are to remain at their current levels until the water service rates for Middlesex customers exceed the current Bayview rates.

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

Regulatory Assets	(Thousands of Dollars) Years Ended December 31, 2005	2004	Remaining Recovery Periods
Income Taxes	$6,167	$6,535	Various
Postretirement Benefits	610	697	7 years
Tank Painting	352	426	3-9 years
Rate Cases and Other	340	541	Up to 3 years
Total	$7,469	$8,199	

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

The Company uses the composite depreciation method for its regulated utility operations, which is currently an acceptable method of accounting under generally accepted accounting principles and is widely used in the utility industry. Historically, under the composite depreciation method, the anticipated costs of removing assets upon retirement are provided for over the life of those assets as a component of depreciation expense. The Company recovers certain asset retirement costs through rates charged to customers as an approved component of deprecation expense. As of December 31, 2005 and 2004, the Company has approximately $5.7 million and $5.4 million, respectively, of cost of removal recovered in rates in excess of actual costs incurred. These amounts are included in regulatory liabilities.

Bayview, Pinelands Water and Pinelands Wastewater are recovering in rates the acquisition premiums totaling $0.8 million over the remaining lives of their Utility Plant. These deferred costs have been included in their respective rate bases as utility plant and are earning a return on the unamortized costs during the recovery periods.

Note 3 - Income Taxes

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

	Years Ended December 31, (Thousands of Dollars)		
	2005	2004	2003
Income Tax at Statutory Rate of 34%	$ 3,982	$ 4,168	$ 3,355
Tax Effect of:			
Utility Plant Related	(899)	(500)	(171)
State Income Taxes - Net	176	167	106
Employee Benefits	(25)	(25)	(67)
Other	3	4	14
Total Income Tax Expense	$ 3,237	$ 3,814	$ 3,237

Income tax expense is comprised of the following:

Current:			
Federal	$ 2,889	$ 3,128	$ 2,835
State	183	83	95
Deferred:			
Federal	160	512	321
State	84	170	65
Investment Tax Credits	(79)	(79)	(79)
Total Income Tax Expense	$ 3,237	$ 3,814	$ 3,237

The statutory review period for income tax returns for the years prior to 2002 has been closed.

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

	Years Ended December 31, (Thousands of Dollars)	
	2005	2004
Utility Plant Related	$21,827	$21,293
Customer Advances	(4,250)	(4,263)
Employee Benefits	(3,210)	(2,568)
Other	(70)	94
Total Deferred Tax Liability	$14,297	$14,556

The Company is required to record deferred income taxes for all temporary differences regardless of the regulatory ratemaking treatment. Because management believes that it is probable that these additional taxes will be passed on to ratepayers, offsetting regulatory assets of $6.2 million and $6.5 million have been recorded at December 31, 2005 and 2004, respectively.

Note 4 - Commitments and Contingent Liabilities

Guarantees - USA-PA operates the City of Perth Amboy's (Perth Amboy) water and wastewater systems under a service contract agreement through June 30, 2018. The agreement was effected under New Jersey's Water Supply Public/Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives a fixed fee and a variable fee based on increased system billing. Scheduled fixed fee payments for 2005, 2004 and 2003 were $7.4 million, $7.4 million and $7.2 million, respectively. The fixed fees will increase over the term of the contract to $10.2 million.

In connection with the agreement, Perth Amboy, through the Middlesex County Improvement Authority, issued approximately $68.0 million in three series of bonds. Middlesex guaranteed one of those series of bonds, designated the Series C Serial Bonds, in the principal amount of approximately $26.3 million. Perth Amboy guaranteed the two other series of bonds. The Series C Serial Bonds have various maturity dates with the final maturity date on September 1, 2015. As of December 31, 2005, approximately $23.9 million of the Series C Serial Bonds remained outstanding.

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

Water Supply - Middlesex has an agreement with the New Jersey Water Supply Authority (NJWSA) for the purchase of untreated water through November 30, 2023, which provides for an average purchase of 27 million gallons a day (mgd). Pricing is set annually by the NJWSA through a public rate making process. The agreement has provisions for additional pricing in the event Middlesex overdrafts or exceeds certain monthly and annual thresholds.

Middlesex also has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement, which expired December 31, 2005 and is expected to be renewed for a five-year term under the same terms and conditions, provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

Purchased water costs are shown below:

	(Millions of Dollars) Years Ended December 31,		
Purchased Water	2005	2004	2003
Untreated	$ 2.3	$ 2.2	$ 2.0
Treated	1.8	2.0	1.8
Total Costs	$ 4.1	$ 4.2	$ 3.8

Construction - Based on its capital budget, the Company plans to spend approximately $44.5 million in 2006, $68.5 million in 2007 and $43.7 million in 2008 on its construction program.

Litigation - A lawsuit was filed in 1998 against the Company for damages involving the break of both a Company water line and an underground electric power cable containing both electric lines and petroleum based insulating fluid. The electric utility also asserted claims against the Company. The lawsuit was settled in 2003, and by agreement, the electric utility's counterclaim for approximately $1.1 million in damages was submitted to binding arbitration, in which the agreed maximum exposure of the Company is $0.3 million, which the Company has a liability accrued. While we are unable to predict the outcome of the arbitration, we believe that we have substantial defenses.

During 2005, the Office of State Fire Marshal in Delaware issued a Notice of Violation (NOV) to Tidewater regarding a plan of correction to provide fire protection services to one of its community water systems, based upon a recent interpretation of regulations that have been effective since 1989. Tidewater has appealed this NOV in the Superior Court of the State of Delaware on the grounds that the water system was grandfathered under the 1989 regulations and that due process had not been served in the application of the recent interpretation. It is the Company's position that Tidewater is not required to provide fire protection service to that water system. Should Tidewater not be successful in its appeal, it would be required to install a fire protection system in that system with an estimated capital investment between $0.9 million and $1.6 million. If the Company is unsuccessful in its appeal, we cannot predict what further actions, if any, or the costs or timing thereof, would have on over 60 of Tidewater's other community water systems. However, such amounts could be material. The Company believes that any capital investments resulting from an unfavorable outcome would be a component of its Delaware rate base and therefore, included in future rates. While we are unable to predict the outcome of our appeal, we believe that we have substantial defenses.

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

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

Note 5 - Short-term Borrowings

Information regarding the Company's short-term borrowings for the years ended December 31, 2005 and 2004 is summarized below:

	(Millions of Dollars) 2005	2004
Established Lines at Year-End	$ 40.0	$ 33.0
Maximum Amount Outstanding	16.0	13.5
Average Outstanding	9.2	8.9
Notes Payable at Year-End	4.0	11.0
Weighted Average Interest Rate	4.36%	2.37%
Weighted Average Interest Rate at Year-End	5.09%	3.42%

Year-end interest rates on short-term borrowings outstanding ranged from 4.69% to 5.75% and 2.82% to 3.75% as of December 31, 2005 and 2004, respectively. The maturity dates for borrowings outstanding as of December 31, 2005 are: January 3, 2006- $1.5 million; and February 27, 2006- $2.5 million.

The Company has lines of credit for up to $40.0 million. Short-term borrowings are below the prime rate with no requirement for compensating balances.

Note 6 - Capitalization

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

Common Stock
In May 2004, the Company sold and issued 700,000 shares of its common stock in a public offering that was priced at $19.80. The majority of the net proceeds of approximately $12.9 million were used to repay most of the Company's short-term borrowings outstanding at that time.

In August 2003, the Board of Directors approved a four-for-three stock split of the Company's common stock, effective November 14, 2003 for shareholders of record on November 1, 2003. All share, average number of shares and per share amounts of no par common stock on the financial statements have been restated to reflect the effect of the stock split.

The number of shares authorized under the Dividend Reinvestment and Common Stock Purchase Plan (DRP) is 1,700,000 shares. The cumulative number of shares issued under the DRP at December 31, 2005, is 1,511,502. For a six month period beginning on June 1, 2005 and ending on December 1, 2005, DRP participants had the opportunity to purchase the Company's common stock at a 5% discount with reinvested dividends and optional cash payments. The Company also has a restricted stock plan, which is described in Note 7 - Employee Benefit Plans.

In the event dividends on the preferred stock are in arrears, no dividends may be declared or paid on the common stock of the Company. At December 31, 2005, no preferred stock dividends were in arrears.

Preferred Stock
If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock. At December 31, 2005 and 2004, 36,898 shares and 37,898 shares, respectively, of preferred stock presently authorized were outstanding and there were no dividends in arrears.

The conversion feature of the no par $7.00 Series Cumulative and Convertible Preferred Stock allows the security holders to exchange one convertible preferred share for twelve shares of the Company's common stock. In addition, the Company may redeem up to 10% of the outstanding convertible stock in any calendar year at a price equal to the fair market value of twelve shares of the Company's common stock for each share of convertible stock redeemed. During September 2005, 1,000 shares of the no par $7.00 Series Cumulative and Convertible Preferred Stock was converted into 12,000 of common stock.

The conversion feature of the no par $8.00 Series Cumulative and Convertible Preferred Stock allows the security holders to exchange one convertible preferred share for 13.714 shares of the Company's common stock. The preferred shares are convertible into common stock at the election of the security holder or Middlesex.

Long-term Debt
During 2005, Tidewater received approval from the PSC to finance up to $16.0 million in the form of long-term debt securities during the current year. Of this amount, Tidewater received loan approval in April 2005 under the Delaware State Revolving Fund (SRF) program of $2.0 million. Tidewater closed on this loan on July 25, 2005. The Delaware SRF program allows, but does not obligate, Tidewater to draw down against a General Obligation Note for two specific projects over a two-year period ending in April 2007. The interest rate on any draw-down will be set at 3.49%. On August 25, 2005, Tidewater converted $7.0 million of short-term borrowings to a $7.0 million mortgage-type loan to be repaid over a term of 25 years. This loan bears interest at 6.44%. On September 15, 2005, Tidewater closed on another $7.0 million mortgage-type loan. This loan bears interest at 6.46% and is to be repaid over a term of 26 years.

In November 2004, Middlesex issued $16.6 million of first mortgage bonds through the New Jersey Environmental Infrastructure Trust under the New Jersey SRF program. The Company closed on the first mortgage bonds designated as Series EE and FF on November 4, 2004.

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

(Millions of Dollars)

Year	Annual Maturities	Year	Annual Maturities
2006	$ 1.9	2009	$ 2.6
2007	$ 2.4	2010	$ 2.6
2008	$ 2.5		

The weighted average interest rate on all long-term debt at December 31, 2005 and 2004 was 5.36% and 5.26%, respectively. Except for the Amortizing Secured Notes and Series U First Mortgage Bonds, all of the Company's outstanding debt has been issued through the New Jersey Economic Development Authority ($57.5 million), the New Jersey Environmental Infrastructure Trust program ($27.2 million) and the SRF program ($4.1 million).

Restricted cash includes proceeds from the Series Y, AA, BB, CC, EE and FF First Mortgage Bonds and State Revolving Trust Bonds issuances. These funds are held in trusts and restricted for specific capital expenditures and debt service requirements. Series EE and FF proceeds can only be used for the construction of a raw water pipeline and the 2005 and 2006 main cleaning and cement lining programs. All other bond issuance balances in restricted cash are for debt service requirements.

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

Earnings Per Share

The following table presents the calculation of basic and diluted earnings per share (EPS) for the three years ended December 31, 2005. Basic EPS is computed on the basis of the weighted average number of shares outstanding. Diluted EPS assumes the conversion of both the Convertible Preferred Stock $7.00 Series and $8.00 Series. All share and per share amounts reflect the four-for-three common stock split, effective November 14, 2003.

(In Thousands of Dollars, Except per Share Amounts)

	2005		2004		2003	
Basic:	Income	Shares	Income	Shares	Income	Shares
Net Income	$ 8,476	11,445	$ 8,446	11,080	$ 6,631	10,475
Preferred Dividend	(251)		(255)		(255)	
Earnings Applicable to Common Stock	$ 8,225	11,445	$ 8,191	11,080	$ 6,376	10,475
Basic EPS	$ 0.72		$ 0.74		$ 0.61	
Diluted:						
Earnings Applicable to Common Stock	$ 8,225	11,445	$ 8,191	11,080	$ 6,376	10,475
$7.00 Series Dividend	101	175	104	179	104	179
$8.00 Series Dividend	96	164	96	164	96	164
Adjusted Earnings Applicable to Common Stock	$ 8,422	11,784	$ 8,391	11,423	$ 6,576	10,818
Diluted EPS	$ 0.71		$ 0.73		$ 0.61	

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments for which it is practicable to estimate that value. The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, marketable securities, and trade receivables and payables approximate their respective fair values due to the short-term maturities of these instruments. The fair value of the Company's long-term debt relating to first mortgage bonds is based on quoted market prices for similar issues. The carrying amount and fair market value of the Company's bonds were as follows:

	(Thousands of Dollars) At December 31, 2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
First Mortgage Bonds	$98,376	$101,080	$98,899	$101,968
State Revolving Bonds	$ 1,374	$ 1,402	$ 1,442	$ 1,476

For other long-term debt for which there was no quoted market price, it was not practicable to estimate their fair value. The carrying amount of these instruments at December 31, 2005 and 2004 was $30.3 million and $16.0 million, respectively. Customer advances for construction have a carrying amount of $17.2 million and $14.0 million at December 31, 2005 and 2004, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

Note 7 - Employee Benefit Plans

Pension

The Company has a noncontributory defined benefit pension plan, which covers substantially all employees with more than 1,000 hours of service. In addition, the Company maintains an unfunded supplemental pension plan for its executives. The Accumulated Benefit Obligation for all pension plans at December 31, 2005 was $24.4 million.

Postretirement Benefits Other Than Pensions

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

The Company has recognized a deferred regulatory asset relating to the difference between the accrued retirement benefit costs and actual cash paid for plan premiums in years prior to 1998. Included in the regulatory asset is a transition obligation from adopting SFAS No.106, "Employers' Accounting for Postretirement Benefits Other than Pensions," on January 1, 1993. In addition to the recognition of annual accrued retirement benefit costs in rates, Middlesex is also recovering the transition obligation over 15 years. The regulatory assets at December 31, 2005 and 2004, respectively were $0.6 million and $0.7 million.

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

	(Thousands of Dollars) Years Ended December 31,			
	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Reconciliation of Projected Benefit Obligation				
Beginning Balance	$ 26,099	$ 23,671	$ 11,133	$ 9,498
Service Cost	1,126	746	621	426
Interest Cost	1,559	1,387	771	580
Actuarial (Gain)/Loss	2,141	1,516	3,130	1,028
Benefits Paid	(1,259)	(1,221)	(408)	(399)
Ending Balance	$ 29,666	$ 26,099	$ 15,247	$ 11,133
Reconciliation of Plan Assets at Fair Value				
Beginning Balance	$ 19,510	$ 18,587	$ 3,430	$ 2,582
Actual Return on Plan Assets	885	1,497	225	190
Employer Contributions	1,202	647	1,419	1,057
Benefits Paid	(1,259)	(1,221)	(408)	(399)
Ending Balance	$ 20,338	$ 19,510	$ 4,666	$ 3,430
Funded Status	$ (9,328)	$ (6,589)	$(10,581)	$ (7,703)
Unrecognized Net Transition Obligation	--	--	947	1,082
Unrecognized Net Actuarial (Gain)/Loss	5,163	2,655	7,533	4,835
Unrecognized Prior Service Cost	81	173	(3)	(3)
Accrued Benefit Cost	$ (4,084)	$ (3,761)	$ (2,104)	$ (1,789)
Amounts Recognized in the Consolidated Balance Sheets consist of:				
Accrued Benefit Cost	$ (4,084)	$ (3,761)	$ (2,104)	$ (1,789)
Additional Minimum Liability	(476)	--	--	--
Intangible Asset	79	--	--	--
Accumulated Other Comprehensive Income (pre-tax)	397	--	--	--
Net Liability Recognized	$ (4,084)	$ (3,761)	$ (2,104)	$ (1,789)
Separate Disclosure for Plans with Accumulated Benefit Obligation in Excess of Plan Assets:				
Projected Benefit Obligation	$ 25,822			
Accumulated Benefit Obligation	21,500			
Fair Value of Plan Assets	20,338			

	(Thousands of Dollars) Years Ended December 31, Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Components of Net Periodic Benefit Cost						
Service Cost	$ 1,126	$ 746	$ 684	$ 622	$ 426	$ 263
Interest Cost	1,559	1,387	1,356	771	580	485
Expected Return on Plan Assets	(1,547)	(1,492)	(1,272)	(275)	(213)	(175)
Amortization of Net Transition Obligation	--	--	--	135	135	135
Amortization of Net Actuarial (Gain)/Loss	49	--	--	482	292	143
Amortization of Prior Service Cost	92	92	92	--	--	--
Net Periodic Benefit Cost	$ 1,279	$ 733	$ 860	$ 1,735	$ 1,220	$ 851

	2005	2004	2003	2005	2004	2003
Actual Return on Plan Assets	4.54%	8.18%	17.48%	5.71%	6.53%	0.77%
Weighted Average Assumptions:						
Expected Return on Plan Assets	8.00%	8.00%	8.00%	7.50%	7.50%	7.50%
Discount Rate for:						
Benefit Obligation	5.52%	5.88%	6.00%	5.52%	5.88%	6.00%
Benefit Cost	5.88%	6.00%	6.75%	5.88%	6.00%	6.75%
Compensation Increase for:						
Benefit Obligation	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Benefit Cost	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

For measurement purposes, a 9.0% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2005 and declining by 1.0% per year through 2008 and 0.5% per year to 5% by year 2010. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

	(Thousands of Dollars) 1 Percentage Point Increase	Decrease
Effect on Current Year's Service and Benefit Cost	$ 330	$ (247)
Effect on Benefit Obligation	2,430	(1,894)

The following benefit payments, which reflect expected future service, are expected to be paid:

Year	Pension Benefits	Other Benefits
2006	$ 1,249	$ 430
2007	1,449	471
2008	1,542	479
2009	1,565	529
2010	1,568	544
2011-2015	8,596	2,374
Totals	$15,969	$4,827

Benefit Plans Assets

The benefit plans asset allocations at December 31, 2005 and 2004, by asset category are as follows:

	Pension Plan		Other Benefits			
Asset Category	2005	2004	2005	2004	Target	Range
Equity Securities	63.7%	62.8%	56.3%	54.0%	60%	30-65%
Debt Securities	33.4	34.5	41.0	36.9	38%	25-70%
Cash	2.9	2.7	2.7	9.1	2%	0-10%
Total	100.0%	100.0%	100.0%	100.0%		

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

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

Equity securities include Middlesex common stock in the amounts of $0.7 million (3.3% of total plan assets) and $0.7 million (3.8% of total plan assets) at December 31, 2005 and 2004, respectively.

For the pension plan, Middlesex made total cash contributions of $1.2 million in 2005 and expects to make cash contributions of approximately $1.0 million in 2006.

For the postretirement benefit plan, Middlesex made total cash contributions of $1.0 million in 2005 and expects to make cash contributions of approximately $1.2 million in 2006.

401(k) Plan
The Company has a 401(k) defined contribution plan, which covers substantially all employees with more than 1,000 hours of service. Under the terms of the Plan, the Company matches 100% of a participant's contributions, which do not exceed 1% of a participant's compensation, plus 50% of a participant's contributions exceeding 1% but not more than 6%. The Company's matching contributions were $0.3 million for each of the years ended December 31, 2005, 2004 and 2003.

Stock-Based Compensation
The Company maintains a Restricted Stock Plan, under which 56,067 shares of the Company's common stock are held in escrow by the Company as of December 31, 2005 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 award other than as a result of retirement, death, disability or change in control. The maximum number of shares authorized for grant under this plan is 240,000 shares.

The Company recognizes compensation expense at fair value for the restricted stock awards in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation." 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 following table presents information on the Restricted Stock Plan:

	Shares	Unearned Compensation	Weighted Average Grant Price
Balance, January 1, 2003	77,566	$ 552,081	
Granted	18,900	357,990	$ 18.95
Vested	(26,099)		
Forfeited	(967)	(11,700)	
Amortization of Compensation Expense		(286,199)	
Balance, December 31, 2003	69,400	612,172	
Granted	14,900	265,367	$ 17.81
Vested	(19,067)		
Amortization of Compensation Expense		(271,298)	
Balance, December 31, 2004	65,233	606,241	
Granted	19,000	435,713	$ 22.95
Vested	(28,166)		
Amortization of Compensation Expense		(342,122)	
Balance, December 31, 2005	56,067	$ 699,832	

Note 8 - Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. It also operates a regulated wastewater system in New Jersey. The Company is subject to regulations as to its rates, services and other matters by the states of New Jersey and Delaware with respect to utility service within these states. The other segment is non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware. Inter-segment transactions relating to operational costs are treated as pass-through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender.

Operations by Segments:	(Thousands of Dollars) Twelve Months Ended December 31, 2005	2004	2003
Revenues:			
Regulated	$ 66,317	$ 60,745	$ 55,707
Non - Regulated	8,416	10,366	8,500
Inter-segment Elimination	(120)	(120)	(96)
Consolidated Revenues	$ 74,613	$ 70,991	$ 64,111
Operating Income:			
Regulated	$ 16,390	$ 16,075	$ 14,025
Non - Regulated	828	858	713
Consolidated Operating Income	$ 17,218	$ 16,933	$ 14,738
Depreciation:			
Regulated	$ 6,357	$ 5,762	$ 5,308
Non - Regulated	103	84	55
Consolidated Depreciation	$ 6,460	$ 5,846	$ 5,363
Other Income, Net:			
Regulated	$ 836	$ 892	$ 506
Non - Regulated	--	(1)	(33)
Inter-segment Elimination	(96)	(96)	(116)
Consolidated Other Income, Net	$ 740	$ 795	$ 357
Interest Expense:			
Regulated	$ 6,245	$ 5,469	$ 5,227
Non - Regulated	96	96	116
Inter-segment Elimination	(96)	(96)	(116)
Consolidated Interest Charges	$ 6,245	$ 5,469	$ 5,227
Net Income:			
Regulated	$ 8,037	$ 7,993	$ 6,292
Non - Regulated	439	453	339
Consolidated Net Income	$ 8,476	$ 8,446	$ 6,631
Capital Expenditures:			
Regulated	$ 25,016	$ 28,669	$ 17,005
Non - Regulated	272	210	572
Total Capital Expenditures	$ 25,288	$ 28,879	$ 17,577

	As of December 31, 2005	As of December 31, 2004
Assets:		
Regulated	$ 320,889	$ 302,765
Non - Regulated	5,912	4,943
Inter-segment Elimination	(2,418)	(2,074)
Consolidated Assets	$ 324,383	$ 305,634

Note 9 - Quarterly Operating Results - Unaudited

Quarterly operating results for 2005 and 2004 are as follows:

(Thousands of Dollars, Except per Share Data)

	1st	2nd	3rd	4th	Total
2005					
Operating Revenues	$16,743	$18,431	$20,832	$18,607	$74,613
Operating Income	3,171	4,259	6,013	3,775	17,218
Net Income	1,380	1,946	3,024	2,126	8,476
Basic Earnings per Share	$ 0.12	$ 0.17	$ 0.26	$ 0.17	$ 0.72
Diluted Earnings per Share	$ 0.12	$ 0.16	$ 0.26	$ 0.17	$ 0.71
2004					
Operating Revenues	$15,876	$17,770	$19,856	$17,489	$70,991
Operating Income	2,728	4,128	6,212	3,865	16,933
Net Income	1,034	1,890	3,362	2,160	8,446
Basic Earnings per Share	$ 0.09	$ 0.17	$ 0.29	$ 0.19	$ 0.74
Diluted Earnings per Share	$ 0.09	$ 0.16	$ 0.29	$ 0.19	$ 0.73

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.

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

None.

Item 9A. Controls and Procedures

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

As required by Rule 13a-15 under the Exchange Act, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted by the Company's Chief Executive Officer along with the Company's Chief Financial Officer for the quarter ended December 31, 2005. Based upon that evaluation, which included consideration of the remediation of the material weakness that led to the restatements, the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. Accordingly, management believes that the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

As described in the Company's 2004 annual report on Form 10-K/A, first and second quarter 2005 filings on Form 10-Q/A and in the third quarter filing on Form 10-Q, in November 2005, the Company identified a material weakness related to the controls over the recording of non-cash contributions of utility assets from developers and the presentation of such non-cash items in the statement of cash flows. In order to remediate this deficiency, during the fourth quarter of 2005, the Company implemented additional procedures related to recording non-cash contributions of utility assets from developers, expanded its periodic review of non-cash activities and expanded its review of the presentation of non-cash transactions. This change had a material affect on internal control over financial reporting.

(2) Management's Report on Internal Control Over Financial Reporting

The management of Middlesex Water Company (Middlesex or the Company) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13A-15(f) and 15d-15(f). Middlesex's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the adequate preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the adequacy of financial statement preparation and presentation. Middlesex's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control- Integrated Framework. Based on our assessment, we believe that as of December 31, 2005, the Company's internal control over financial reporting is operating as designed and is effective based on those criteria.

Middlesex's independent registered public accounting firm has issued their report on our assessment of the Company's internal control over financial reporting. This report appears on pages 55 and 56.

/s/ Dennis W. Doll	/s/ A. Bruce O'Connor
Dennis W. Doll President and Chief Executive Officer	A. Bruce O'Connor Vice President and Chief Financial Officer

Iselin, New Jersey
March 16, 2006

(3) Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Middlesex Water Company:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Middlesex Water Company and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and consolidated statements of capital stock and long-term debt of the Company as of December 31, 2005, and the related consolidated statements of income, common stockholders' equity and comprehensive income, and cash flows for the year ended December 31, 2005 and our report dated March 16, 2006 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP
Parsippany, New Jersey
March 16, 2006

Item 9B. Other Information.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information with respect to Directors of Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

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

Item 11. Executive Compensation.

This Information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

   Consolidated Balance Sheets at December 31, 2005 and 2004.

   Consolidated Statements of Income for each of the three years in the period ended December 31, 2005, 2004 and 2003.

   Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2005, 2004 and 2003.

   Consolidated Statements of Capital Stock and Long-term Debt at December 31, 2005 and 2004.

   Consolidated Statements of Common Stockholders Equity and Comprehensive Income for each of the three years in the period ended December 31, 2005, 2004 and 2003.

   Notes to Consolidated Financial Statements.

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.

3. Exhibits

   See Exhibit listing immediately following the signature page.

SIGNATURES

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

MIDDLESEX WATER COMPANY

By: /s/ Dennis W. Doll

Dennis W. Doll
President, Chief Executive Officer and Director

Date: March 16, 2006

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the registrant and in the capacities on March 16, 2006.

By: /s/ A. Bruce O'Connor

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

By: /s/ Dennis W. Doll

Dennis W. Doll
President, Chief Executive Officer and Director

By: /s/ J. Richard Tompkins

J. Richard Tompkins
Chairman of the Board and Director

By: /s/ Dennis G. Sullivan

Dennis G. Sullivan
Director

By: /s/ Annette Catino

Annette Catino
Director

By: /s/ John C. Cutting

John C. Cutting
Director

By: /s/ John R. Middleton

John R. Middleton
Director

By: /s/ John P. Mulkerin

John P. Mulkerin
Director

By: /s/ Walter G. Reinhard

Walter G. Reinhard
Director

By: /s/ Jeffries Shein

Jeffries Shein
Director

EXHIBIT INDEX

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

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
3.1	Certificate of Incorporation of the Company, as amended, filed as Exhibit 3.1 of 1998 Form 10-K.		
*3.2	Bylaws of the Company, as amended		
3.3	Certificate of Correction of Middlesex Water Company filed with the State of New Jersey on April 30, 1999, filed as Exhibit 3.3 of 2003 Form 10-K.		
3.4	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on February 17, 2000, filed as Exhibit 3.4 of 2003 Form 10-K.		
3.5	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on June 5, 2002, filed as Exhibit 3.5 of 2003 Form 10-K.		
4.1	Form of Common Stock Certificate.	2-55058	2(a)
4.2	Registration Statement, Form S-3, under Securities Act of 1933 filed February 3, 1987, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
4.3	Revised Prospectus relating to the Dividend Reinvestment and Common Stock Purchase Plan, Submitted to the Securities and Exchange Commission, January 20, 2000.	33-11717	
4.4	Post Effective Amendments No. 7, Form S-3, under Securities Act of 1933 filed February 1, 2002, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
10.1	Copy of Purchased Water Agreement between the Company and Elizabethtown Water Company, filed as Exhibit 10.1 of 1996 Form 10-K.		
10.2	Copy of Mortgage, dated April 1, 1927, between the Company and Union County Trust Company, as Trustee, as supplemented by Supplemental Indentures, dated as of October 1, 1939 and April 1, 1949.	2-15795	4(a)-4(f)
10.3	Copy of Supplemental Indenture, dated as of July 1, 1964 and June 15, 1991, between the Company and Union County Trust Company, as Trustee.	33-54922	10.4-10.9
10.4	Copy of Supply Agreement, dated as of November 17, 1986, between the Company and the Old Bridge Municipal Utilities Authority.	33-31476	10.12
10.5	Copy of Supply Agreement, dated as of July 14, 1987, between the Company and the Marlboro Township Municipal Utilities Authority, as amended.	33-31476	10.13

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.6	Copy of Supply Agreement, dated as of February 11, 1988, with modifications dated February 25, 1992, and April 20, 1994, between the Company and the Borough of Sayreville filed as Exhibit No. 10.11 of 1994 First Quarter Form 10-Q.		
10.7	Copy of Water Purchase Contract, dated as of September 25, 2003, between the Company and the New Jersey Water Supply Authority, filed as Exhibit No. 10.7 of 2003 Form 10-K.		
10.8	Copy of Treating and Pumping Agreement, dated April 9, 1984, between the Company and the Township of East Brunswick.	33-31476	10.17
10.9	Copy of Supply Agreement, dated June 4, 1990, between the Company and Edison Township.	33-54922	10.24
10.10	Copy of Supply Agreement, between the Company and the Borough of Highland Park, filed as Exhibit No. 10.15 of 1996 Form 10-K.		
(t)10.11	Copy of Supplemental Executive Retirement Plan, filed as Exhibit 10.13 of 1999 Third Quarter Form 10-Q.		
(t)10.12	Copy of 1989 Restricted Stock Plan, filed as Appendix B to the Company's Definitive Proxy Statement, dated and filed April 25, 1997.	33-31476	10.22
(t)10.13(a)	Employment Agreement between Middlesex Water Company and Dennis G. Sullivan, filed as Exhibit 10.15(f) of 1999 Third Quarter Form 10-Q.		
(t)10.13(b)	Employment Agreement between Middlesex Water Company and A. Bruce O'Connor, filed as Exhibit 10.15(c) of 1999 Third Quarter Form 10-Q.		
(t)10.13(d)	Employment Agreement between Middlesex Water Company and Richard M. Risoldi, filed as Exhibit 10.13(d) of 2003 Form 10-K.		
(t)10.13(e)	Employment Agreement between Middlesex Water Company and Kenneth J. Quinn, filed as Exhibit 10.13(e) of 2003 Form 10-K.		
(t)10.13(f)	Employment Agreement between Middlesex Water Company and James P. Garrett, filed as Exhibit 10.13(f) of 2003 Form 10-K.		
(t)10.13(g)	Employment Agreement between Tidewater Utilities, Inc. and Gerard L. Esposito, filed as Exhibit 10.13(g) of 2003 Form 10-K.		
*(t)10.13(h)	Consulting Agreement between Middlesex Water Company and J. Richard Tompkins		
(t)10.13(i)	Employment Agreement between Middlesex Water Company and Dennis W. Doll, filed as Exhibit 10.13(i) of 2004 Form 10-K.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.14	Copy of Transmission Agreement, dated October 16, 1992, between the Company and the Township of East Brunswick.	33-54922	10.23
10.15	Copy of Supplemental Indentures, dated September 1, 1993, (Series S & T) and January 1, 1994, (Series U & V), between the Company and United Counties Trust Company, as Trustee, filed as Exhibit No. 10.22 of 1993 Form 10-K.		
10.16	Copy of Trust Indentures, dated September 1, 1993, (Series S & T) and January 1, 1994, (Series V), between the New Jersey Economic Development Authority and First Fidelity Bank (Series S & T), as Trustee, and Midlantic National Bank (Series V), as Trustee, filed as Exhibit No. 10.23 of 1993 Form 10-K.		
10.17	Copy of Supplemental Indenture dated October 15, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Loan Agreement dated November 1, 1998 between the New Jersey and Middlesex Water Company (Series X), filed as Exhibit No. 10.22 of the 1998 Third Quarter Form 10-Q.		
10.18	Copy of Supplemental Indenture dated October 15, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Loan Agreement dated November 1, 1998 between the State of New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series Y), filed as Exhibit No. 10.23 of the 1998 Third Quarter Form 10-Q.		
10.19	Copy of Operation, Maintenance and Management Services Agreement dated January 1, 1999 between the Company City of Perth Amboy, Middlesex County Improvement Authority and Utility Service Affiliates, Inc.	333-66727	10.24
10.20	Copy of Supplemental Indenture dated October 15, 1999 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 1999 between the State of New Jersey and Middlesex Water Company (Series Z), filed as Exhibit No. 10.25 of the 1999 Form 10-K.		
10.21	Copy of Supplemental Indenture dated October 15, 1999 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 1999 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series AA), filed as Exhibit No. 10.26 of the 1999 Form 10-K.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.22	Copy of Supplemental Indenture dated October 15, 2001 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 2001 between the State of New Jersey and Middlesex Water Company (Series BB). Filed as Exhibit No. 10.22 of the 2001 Form 10-K.		
10.23	Copy of Supplemental Indenture dated October 15, 2001 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 2001 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series CC). Filed as Exhibit No. 10.22 of the 2001 Form 10-K.		
10.24	Copy of Supplemental Indenture dated January 15, 2002 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated January 1, 2002 between the New Jersey Economic Development Authority and Middlesex Water Company (Series DD), filed as Exhibit No. 10.24 of the 2001 Form 10-K.		
10.25	Copy of Supplemental Indenture dated March 1, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Trust Indenture dated March 1, 1998 between the New Jersey Economic Development Authority and PNC Bank, National Association, as Trustee (Series W), filed as Exhibit No. 10.21 of the 1998 Third Quarter Form 10- Q.		
10.26	Copy of Supplemental Indenture dated October 15, 2004 between Middlesex Water Company and Wachovia Bank, as Trustee and copy of Loan Agreement dated November 1, 2004 between the State of New Jersey and Middlesex Water Company (Series EE), filed as Exhibit No. 10.26 of the 2004 Form 10-K.		
10.27	Copy of Supplemental Indenture dated October 15, 2004 between Middlesex Water Company and Wachovia Bank, as Trustee and copy of Loan Agreement dated November 1, 2004 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series FF), filed as Exhibit No. 10.27 of the 2004 Form 10-K.		
10.28	Agreement dated September 26, 2005 between Dennis G. Sullivan and Middlesex Water Company, filed as Exhibit 10 of the 2005 Third Quarter Form 10-Q.		
*21	Middlesex Water Company Subsidiaries.		
*23	Consent of Independent Registered Public Accounting Firm.		
*31	Section 302 Certification by Dennis W. Doll pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
*31.1	Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*32	Section 906 Certification by Dennis W. Doll pursuant to 18 U.S.C.ss.1350.		
*32.1	Section 906 Certification by A. Bruce O'Connor pursuant to 18 U.S.C.ss.1350.		

Exhibit 3.2

MIDDLESEX WATER COMPANY

BY-LAWS

As in Effect October 17, 1991
As Amended December 20, 2005

ARTICLE I

ANNUAL MEETING

SECTION 1. The annual meeting of the stockholders for the election of directors or any meeting of stockholders shall be held at such place and at such time as may be fixed by the Board of Directors.

SECTION 2. Except as otherwise provided in the Restated Certificate of Incorporation of the Company a majority of the total number of issued and outstanding shares of each class of stock, considered separately, entitled to vote thereat, represented in person or by proxy, shall constitute a quorum for the transaction of business at any stockholders' meeting of the Company. The Secretary or officer performing the Secretary's duties shall give notice of every stockholders' meeting to each stockholder of record on the books of the Company, entitled to vote at such meeting, by mailing such notice in writing to his last known post office address at least ten days before the date of such meeting. Special meetings of the holders of shares of Common Stock, the holders of shares of Preferred Stock, or the holders of shares of Common Stock and the holders of shares of Preferred Stock may be called by the President or by the Board of Directors.

ARTICLE II

DIRECTORS

SECTION 1. Except as otherwise provided in the Restated Certificate of Incorporation of the Company, the Board of Directors shall consist of not less than five nor more than twelve directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board of Directors. The directors of the Company shall be elected by the holders of shares of Common Stock at the annual meeting of the Company as hereinafter provided in these By-Laws. Each holder of shares of Common Stock present in person or by proxy shall be entitled to one vote for each share thereof standing in his name on the books of the Company.

No person (other than a person nominated by or on behalf of the Board of Directors) shall be eligible for election as a director at any annual or special meeting of stockholders unless a written request that his or her name be placed in nomination is received from a stockholder of record by the Secretary of the Company not less than 21 days prior to the date fixed for the meeting, together with the written consent of such person to serve as a director.

Directors shall be at least 21 years of age and, except as hereinafter provided, not more than 70 years of age. A Director who reaches age 70 during his/her elected term shall be entitled to serve the balance of such term. Notwithstanding the foregoing, the Board of Directors, upon recommendation of the Nominating Committee or such other appropriate Committee, may re-nominate such Director for election as a Director for an additional term or terms beyond the term during which such Director reached his/her 70th birthday. The Board of Directors shall have the right to designate an incumbent director who reaches the age of 70 years as "director emeritus" and a director so designated shall be permitted to attend meetings and receive compensation as fixed by the Board of Directors but shall not be permitted to vote as a director or be counted as a director for purposes of meeting the requirements of these By-Laws regarding the number of directors comprising the Company's Board of Directors. The maximum age limitation of this paragraph shall not apply to any person who is a director of the Company as of May 23, 1984.

SECTION 2. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors. At each annual meeting of stockholders successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

The term of a director elected by stockholders to fill a newly created directorship or other vacancy shall expire at the same time as the terms of the other directors of the class for which the new directorship is created or in which the vacancy occurred. Any vacancy on the Board of Directors that results from an increase in the number of directors and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director so elected by the Board of Directors shall, without regard to the class in which such vacancy occurred, hold office until the next succeeding annual meeting of stockholders and until his successor shall be elected and shall qualify.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock or preference stock issued by the Company shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the applicable terms of the Restated Certificate of Incorporation of the Company, as amended, and such directors so elected shall not be divided into classes unless expressly provided by such terms.

SECTION 3. Regular meetings of the Board of Directors shall be held once a month at such time and place as the Board shall designate.

Special meetings of the Board may be called by the President or by any three of the directors. Reasonable notice by mail or otherwise shall be given to each member of the Board of every special meeting thereof.

A majority of the members of the Board shall constitute a quorum for the transaction of business.

SECTION 4. The Board of Directors shall keep a record of their meetings and proceedings in a book to be provided for that purpose. They shall make reasonable rules and regulations consistent with these By-Laws for the guidance of the officers and management of the affairs of the Company. They may appoint a Transfer Agent, Registrar, and such other agents as the business of the Company may require. They may fix the compensation of all officers and employees. They may declare dividends from the surplus or net profits arising from the business of the Company whenever they deem it expedient. They may authorize the appropriate officers to borrow money from time to time and pledge the securities and property of the Company to secure the payment thereof.

SECTION 5. The affirmative or negative vote of a majority of all members of the Board of Directors present at a meeting shall decide all matters brought before the Board for decision, except as otherwise provided in these By-Laws.

Where appropriate communication facilities are reasonably available, any or all directors shall have the right to be present for such purposes and to participate in all or any part of a meeting of the Board of Directors or a committee of the Board by means of conference telephone or any other means of communication by which all persons participating in the meeting are able to hear each other.

Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board of Directors or any committee thereof, may be taken without a meeting if, prior or subsequent to the action, all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing and the written consents are filed with the minutes of the proceedings of the Board of Directors or committee.

ARTICLE III

COMMITTEES

SECTION 1. The Board of Directors may appoint regular or special committees from the Board from time to time as may be required for the proper conduct and management of the business of the Company. In determining whether to appoint a regular or special committee and the membership of such committee, the Board shall consult with the President.

ARTICLE IV

OFFICERS

SECTION 1. The officers of the Company shall be a President, Senior Vice President, one or more Vice Presidents, Secretary, one or more Assistant Secretaries, Treasurer, and one or more Assistant Treasurers. The Board of Directors may appoint a Chairman of the Board of Directors from among its members. The same person may hold more than one office except that no person shall at the same time hold both offices of President and Secretary. The Board of Directors may appoint such other officers from time to time as it may decide to be necessary or desirable to transact the business of the Company and may fix the term of all officers so appointed.

SECTION 2. The officers of the Company, other than appointive officers, shall be elected annually by the Board of Directors, and they shall hold office for the term of one year and until such time as their successors are elected and qualify.

ARTICLE V

DUTIES OF OFFICERS

SECTION 1. In the event that the Board of Directors shall appoint a Chairman of the Board of Directors as herein provided, he shall preside at all meetings of the Board of Directors and shall have and exercise such powers and perform such duties as may be assigned and conferred upon him by the Board of Directors.

SECTION 2. The President, in the absence of a Chairman of the Board of Directors, shall preside at the meetings of the Board of Directors and generally shall direct, supervise, and conduct the business of the Company subject to the control of the Board of Directors and shall perform all the duties incident to the Office of President.

SECTION 3. The Senior Vice President and the Vice Presidents shall perform executive and administrative duties under the direction of the President or pursuant to instructions of the Board. The Senior Vice President shall perform all the duties of the President in his absence or disability. Any one of the Vice Presidents shall perform all the duties of the President in the absence or disability of both the President and the Senior Vice President.

SECTION 4. The Secretary shall keep minutes of all meetings of the stockholders and directors of the Company, shall give notice of the time and place of all such meetings, shall be the custodian of the seal of the Company and of all the papers and records relating to the general business of the Company, and under the direction of the President or pursuant to instructions of the Board of Directors shall perform all the duties incident to the Office of Secretary.

The Assistant Secretary or Secretaries shall assist the Secretary in the performance of his duties, and shall exercise and perform his powers and duties in his absence or disability, and shall also exercise such powers and duties as may be conferred or required by the Board of Directors or by the President.

SECTION 5. The Treasurer shall be the custodian of all moneys and securities belonging to the Company. He shall keep a record of accounts of the Company and shall submit a quarterly report to the Board of Directors showing the financial condition of the Company, and perform all the duties incident to the Office of Treasurer.

The Assistant Treasurer or Treasurers shall assist the Treasurer in the performance of his duties, and shall exercise and perform his powers and duties in his absence or disability, and shall also exercise such powers and duties as may be conferred or required by the Board of Directors or by the President.

ARTICLE VI

INDEMNIFICATION

SECTION 1. Any present or future director or officer of the Company and any present or future director or officer of any other corporation serving as such at the request of the Company because of the Company's interest in such other corporation, or the legal representative of any such director or officer, shall be indemnified by the Company against reasonable costs, expenses, (exclusive of any amount paid or incurred in connection with any action, suit, or proceeding to which any such director or officer or his legal representative may be a party by reason of his being or having been such director or officer; provided (1) said action, suit, or proceeding shall be prosecuted against such director or officer or against his legal representative to final determination, and it shall not be finally adjudged in said action, suit, or proceeding that he had been derelict in the performance of his duties as such director or officer; or (2) said action, suit, or proceeding shall be settled or otherwise terminated as against such director or officer or his legal representative without a final determination on the merits, and it shall be determined by the Board of Directors (or, at the option of the Board of Directors, by a disinterested person or persons selected by the Board of Directors to determine the matter) that said director or officer had not in any substantial way been derelict in the performance of his duties as charged in such action, suit, or proceeding. The right of indemnification provided by this By-Law shall be in addition to and not in restriction or limitation of any other privilege or power which the Company may have with respect to the indemnification or reimbursement of directors, officers, or employees.

ARTICLE VII

CAPITAL STOCK

SECTION 1. Certificates of stock of the Company shall be numbered consecutively in the order of issue. They shall be signed by the President or a Vice President and the Treasurer or Assistant Treasurer.

SECTION 2. Such certificates may, in addition to the foregoing, be signed by a transfer agent or an assistant Transfer Agent or by a transfer clerk on behalf of the Company, who shall have been duly appointed for the purpose by the Board of Directors. When such certificates are signed by a transfer agent or an assistant transfer agent or by a transfer clerk on behalf of the Company, the signature of the President, Vice President, Treasurer, or Assistant Treasurer upon any such certificate may be affixed by engraving, lithograving, or printing thereon a facsimile of such signature, in lieu of manual signature, and such facsimile signature so engraved, lithographed, or printed thereon shall have the same force and effect as if such officer had manually signed the same.

SECTION 3. In case any officer who has signed, or whose facsimile signature has been affixed to, any such certificate shall cease to be such officer before such certificate shall have been delivered by the Company, such certificate may nevertheless be issued and delivered as though the person who signed such certificate, or whose facsimile signature has been affixed thereto, had not ceased to be such officer of the Company.

SECTION 4. Transfers of stock may be made at any time by the holders thereof in person, or by their representatives, or by power of attorney duly executed, except when the transfer books shall be closed; but no transfer shall be valid until entered in the proper form on the books of the Company.

ARTICLE VIII

RECORD KEEPING

SECTION 1. The books, papers, and records relating to the general business of the Company shall be in the custody of the Secretary and shall be open to inspection by the directors and stockholders at all reasonable times.

SECTION 2. The books, papers, and records relating to the financial affairs of the Company shall be in the custody of the Treasurer and shall be open to inspection by the directors and stockholders at all reasonable times.

SECTION 3. The books, papers, and records relating to the operation of the Company shall be in the custody of the President or his designate and shall be open to inspection by the directors and stockholders at all reasonable times.

ARTICLE IX

FISCAL YEAR

SECTION 1. The fiscal year of the Company shall begin on the first day of January of each year.

ARTICLE X

SEAL

SECTION 1. The seal of the Company shall be circular in form, and shall have inscribed thereon the following words and figures "MIDDLESEX WATER COMPANY 1897".

ARTICLE XI

CHECKS, NOTES, AND CONTRACTS

SECTION 1. All checks for the payment of funds of the Company and all notes and drafts shall be signed by such officer or officers of the Company or such other person as the directors may from time to time by resolution designate.

SECTION 2. Contracts and other obligations of the Company, excepting those mentioned in Section 1 of this Article, shall be signed by the President or a Vice President and attested to by the Secretary or Assistant Secretary, or Treasurer or Assistant Treasurer, and the corporate seal shall be thereto affixed.

SECTION 3. No contract between this Company and any other company shall be affected or invalidated by the fact that a director or officer of this Company has a financial interest in or is a director, officer, partner, or proprietor of such other company. No such contract shall be entered into unless authorized by a majority of the directors present at a meeting and not affected personally by the contract as being in the best interest of the Company. Bids shall be solicited, whenever practicable, before any such contract involving construction services shall be entered into by the Company.

ARTICLE XII

PREEMPTIVE RIGHTS OF STOCKHOLDERS

SECTION 1. No stockholder of any class of stock of the Company shall have any preemptive or other right, as stockholder, to subscribe for, purchase, or receive any proportionate or other share of the capital stock of the Company, or any obligation of security convertible into such capital stock, or any rights or options of the Company to purchase or receive such capital stock or obligations or securities which the Company may issue or sell, whether out of the number of shares authorized by the Company's Restated Certificate of Incorporation as amended from time to time, or out of the shares of the Company acquired by the Company itself after the issuance thereof.

All such capital stock, obligations or securities, rights, or options may (to the extent otherwise permitted by law) be issued and disposed of by the Board of Directors as and when it may determine, free of any such right, whether to stockholders or to such other persons, firms, corporations, or associations and for such lawful consideration, and upon such terms and conditions as the said Board in its absolute discretion may deem advisable.

ARTICLE XIII

RECORD DATE

SECTION 1. The Board of Directors may fix, in advance, a date not exceeding fifty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or any such allotment or rights, or to exercise the rights in respect to any such change, conversion, or exchange of capital stock, and in such case only stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend, or allotment of rights or exercise of such rights, as the case may be, and notwithstanding any transfer of any stock on the books of the Company after any such record date fixed as aforesaid.

ARTICLE XIV

AMENDMENTS

SECTION 1. These By-Laws may be altered or amended or supplemented or repealed by the Board of Directors at any regular or special meeting by a vote of two-thirds of the members present and constituting a quorum, provided, that written notice containing a copy of the proposed alteration, amendment, supplement, or repeal be given to each director at least five days prior to the meeting at which the proposal is to be acted upon.

SECTION 2. The holders of shares of Common Stock, by the concurrent vote of two-thirds of all such shares issued and outstanding, may alter, amend, supplement or repeal these By-Laws.

Exhibit 10.13(h)

CONSULTING AGREEMENT

This Consulting Agreement (the "Agreement") is entered into as of the 24th day of January, 2006, by and between J. Richard Tompkins (the "Consultant") and Middlesex Water Company (the "Company").

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

WHEREAS, the Company has previously entered into a consulting agreement with the Consultant following his retirement upon the terms and conditions set forth in such agreement; and

WHEREAS, the Company desires to enter into another consulting agreement with Consultant upon the terms and conditions set forth herein and believes such an agreement to be in the best interests of the Company.

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

1. Commencing February 1, 2006 and continuing up to and including January 31, 2007, the Consultant shall act as a consultant to the Company for which he will receive a fee of $50,000 per year. Although the parties have not specified a fixed time for such consulting services, it is contemplated that the Consultant will be available for such consulting services approximately three days per month based on a value of approximately $1,200 to $1,500 per day.

2. During the consulting period, the Consultant will be available to review correspondence, render advice on projects as requested by the Company, attend various meetings as requested by the Company, and in general, to perform any and all such other services as the Company may reasonably require of the Consultant as a consultant to the Company.

3. During the period of this consulting agreement, and continuing for a two-year period thereafter, the Consultant agrees that he will not directly, or indirectly, in any individual or representative capacity, carry on, engage or participate in any business in the State of New Jersey and Delaware that is in direct competition in any manner whatsoever with the business of the Company, except as may be expressly agreed to in writing by the Company.

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

5. This Agreement is for the benefit of the Consultant and the Company and will be governed by and construed in accordance with the laws of the State of New Jersey. Neither party may assign or otherwise transfer its rights or delegate its duties under this Agreement without prior written consent, and any attempt to do so without consent is void.

6. Each party acknowledges that he or it has had the opportunity to review the provisions of this Agreement with independent advisors (financial, legal or otherwise) prior to the execution of this Agreement by each such party.

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

MIDDLESEX WATER COMPANY

By: /s/ Dennis W. Doll

Dennis W. Doll
President

By: /s/ J. Richard Tompkins

J. Richard Tompkins

Exhibit 21

Middlesex Water Company

Subsidiaries

	Jurisdiction of Organization
Tidewater Utilities, Inc.	Delaware
Tidewater Environmental Services, Inc.	Delaware
Pinelands Water Company	New Jersey
Pinelands Wastewater Company	New Jersey
Bayview Water Company (1)	New Jersey
Utility Service Affiliates (Perth Amboy) Inc.	New Jersey
Utility Service Affiliates, Inc.	New Jersey

(1) Bayview was merged into Middlesex Water Company effective January 1, 2006.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 33-11717 on Form S-3 of our reports dated March 16, 2006, relating to the consolidated financial statements of Middlesex Water Company and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Middlesex Water Company for the year ended December 31, 2005.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 16, 2006

Exhibit 31

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

I, Dennis W. Doll, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Dennis W. Doll

Dennis W. Doll
Chief Executive Officer

Date: March 16, 2006

Exhibit 31.1

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

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

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

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

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

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

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

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

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

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

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

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

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

/s/ A. Bruce O'Connor

A. Bruce O'Connor
Chief Financial Officer

Date: March 16, 2006

Exhibit 32

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

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

/s/ Dennis W. Doll

Dennis W. Doll

Chief Executive Officer

Date: March 16, 2006

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

Exhibit 32.1

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

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

/s/ A. Bruce O'Connor

A. Bruce O'Connor
Chief Financial Officer

Date: March 16, 2006

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