SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year ended December 31, 1996	Commission File No. 0-422

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

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

(908) 634-1500
(Registrant's telephone number, including area code)

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

Title of each Class	Name of each exchange on which registered
None	None

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

Common Stock, No par Value
(Title of Class)

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

YES X . NO .

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant at March 18, 1997 was $72,766,227 based on the closing market price of $17.25 per share.

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

Class	Outstanding at March 18, 1997
Common Stock, No par Value	4,218,332

Documents Incorporated by Reference

Annual Report to shareholders for fiscal year ended December 31, 1996; pages 10 through 23. Parts II and IV.

PART I

Item 1. Business

General

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

Retail Sales

Middlesex provides water services to retail customers primarily in eastern Middlesex County, New Jersey. Water services are now furnished to approximately 53,000 retail customers located in an area of approximately 55 square miles of New Jersey in Woodbridge Township, the Boroughs of Metuchen and Carteret, portions of Edison Township and the Borough of South Plainfield in Middlesex County and, to a minor extent, a portion of the Township of Clark in Union County. The retail customers include a mix of residential customers, large industrial concerns and commercial and light industrial facilities. These retail customers are located in generally well developed areas of central New Jersey.

Tidewater provides water services to almost 6,600 retail customers for domestic, commercial and fire protection purposes in over 75 community water systems located in Kent, Sussex and New Castle Counties in Delaware.

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

Contract Sales

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

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

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

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

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

Financial Information

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

	(000's) Years Ended December 31,		
	1996	1995	1994
Operating Revenues	$38,025	$37,847	$36,122
Operating Income	$ 8,222	$ 8,662	$ 8,452

Operating revenues were derived from the following sources:

	Years Ended December 31,		
	1996	1995	1994
Residential	39.7%	40.2%	39.6%
Commercial	11.4	11.6	11.9
Industrial	17.4	17.6	18.3
Fire Protection	12.2	12.0	12.1
Contract Sales	17.8	17.6	17.5
Miscellaneous	1.5	1.0	0.6
TOTAL	100.0%	100.0%	100.0%

Water Supplies and Contracts

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

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

The principal source of surface supply in New Jersey is the Delaware and Raritan Canal (D&R Canal), owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority (NJWSA). The Company has contracts with the NJWSA to divert a maximum of 20 million gallons per day (mgd) of untreated water from the D&R Canal as augmented by the Round Valley/Spruce Run Reservoir System. In addition, the Company has a one-year agreement for an additional 5 mgd renewed through April 30, 1997. The Company also has an agreement with Elizabethtown, effective through December 31, 2005, which provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

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

The Pinelands water system obtains its supply from groundwater sources equipped with three electric motor driven deep well turbine pumps and one electric motor driven submersible pump.

The Company's New Jersey groundwater sources are:

Middlesex System	No. of Wells	1996 Max. Day Pumpage (millions of gallons)	Pump Capacity (mgd)	Location
Park Avenue	15	11.3	15.2	South Plainfield
Tingley Lane North	4	3.1	2.8	Edison
Tingley Lane South	5	2.3	2.6	Edison
Spring Lake	4	1.2	2.8	South Plainfield
Sprague Avenue #1	1	1.6	1.1	South Plainfield
Sprague Avenue #2	1	1.3	1.3	South Plainfield
Maple Avenue	1	1.1	0.9	South Plainfield
Thermal Well	1	0.2	0.2	Edison
Total	32			
Pinelands System				
Leisuretowne/Hampton Lakes	4	2.1	2.2	Southampton Township

Water supply to Delaware customers is derived from Tidewater's 84 wells, which provided overall system delivery of 350 mg during 1996. Tidewater does not have a central treatment facility. Several of the water systems in Sussex County and New Castle County have interconnected transmission systems. Tidewater currently has applications before the Delaware regulatory authorities for the approval of additional wells. Treatment is by chlorination and, in some cases, pH correction and filtration. Water supply to Pinelands Water customers is through four (4) wells drilled into the Mt. Laurel aquifer. Treatment (disinfection only) is done at individual well sites.

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

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

Competition

The business of the Company in its franchised service area is substantially free from direct competition with other public utilities, municipalities and other entities; however, its ability to provide some contract water supply 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 Delaware Department of Natural Resources and Environmental Control (DNREC) awarding franchises to other regulated water purveyors.

Regulation

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

Regulation of Rates and Services

The Company and its Pinelands subsidiaries are subject to regulation by the New Jersey Board of Public Utilities (BPU), and Tidewater is similarly subject to regulation by the Delaware Public Service Commission (PSC). These regulatory authorities have jurisdiction with respect to rates, service, accounting procedures, the issuance of securities and other matters of utility companies operating within the States of New Jersey and Delaware, respectively. The Company and Tidewater, for ratemaking purposes, account separately for operations in New Jersey and in Delaware so as to facilitate independent ratemaking by the BPU for New Jersey operations and the PSC for Delaware operations.

Water Quality and Environmental Regulations

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

Federal, Delaware and New Jersey regulations adopted over the past five years relating to water quality require expanded types of testing by the Company to insure that its water meets State and Federal water quality requirements. In addition, the environmental regulatory agencies are reviewing current regulations governing the limits of certain organic compounds found in the water as by-products of treatment. The Company, as with many other water companies, participates in industry-related research to identify the various types of technology that might reduce the level of organic, inorganic and synthetic compounds found in the water. The cost to water companies of complying with the proposed water quality standards depends in part on the limits set in the regulation and on the method selected to implement such reduction; however, the cost to the Company of complying with proposed regulations promulgated in light of some of the standards being discussed might, depending upon the treatment process selected, be as high as $20 million, based upon current estimates. The regular testing by the Company of the water it supplies shows that the Company is in compliance with existing Federal, New Jersey and Delaware water quality requirements.

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

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

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

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

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

Employees

As of December 31, 1996, the Company had a total of 142 employees in New Jersey, and Tidewater had a total of 19 employees in Delaware. No employees are represented by a union. Management considers its relations with its employees to be satisfactory. Wages and benefits are reviewed annually and are considered competitive within the industry.

Item 2. Properties

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

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

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

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

The CJO Plant includes chemical storage and chemical feed equipment, dual-rapid mixing basins, four reinforced concrete mechanical flocculation compartments, four underground reinforced concrete settling basins, eight rapid filters containing gravel, sand and anthracite for water treatment and a steel wash-water tank. The nominal design capacity of the CJO Plant is 30 mgd (45 mgd maximum capacity). Provision had been made to increase the nominal design capacity to 60 mgd (90 mgd maximum capacity) by the future construction of additional treatment facilities. The Company has recently begun engineering work to install alternative treatment processes and to upgrade and expand the CJO Plant.

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

In addition to the main pumping station at the CJO Plant, there is a l5 mgd auxiliary pumping station located in a separate building. It has a dedicated substation and emergency power supply provided by a diesel-driven generator. It pumps from the l0 mg reservoir directly into the distribution system.

At December 31, 1996, the Company owned property and other facilities located at the Robinson's Branch of the Rahway River. The storage facilities, consisting of an impounding reservoir, have been classified as nonutility plant. They are located in Clark Township, near the north central part of the territory served. The reservoir has a capacity of 232 mg and a tributary drainage area of approximately 25 square miles. There are no treatment facilities at this site. On March 6, 1997, the Company transferred the Robinson's Branch Reservoir to the Township of Clark and transferred a conservation easement on the property to the New Jersey Conservation Foundation. Although the reservoir has not been used as a water supply since approximately 1970, the Company intends to retain its water diversion rights for possible future use. Under the terms of the transaction, the municipality is to assume the obligation to make certain improvements to the reservoir's dam required under the New Jersey Dam Safety Act.

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

Middlesex storage facilities consist of a 10 mg reservoir at the CJO Plant, 5 mg and 2 mg reservoirs in Edison (Grandview), 5 mg reservoir in Carteret (Eborn) and 2 mg reservoir at the Park Avenue Well Field. Pinelands Water storage facility is a 1.2 mg standpipe. Tidewater's systems include 21 ground level storage tanks with the following capacities; 11 - 30,000 gallons, 5 - - 25,000 gallons, 3 - 120,000 gallons, 1 - 135,000 gallons and 1 - 82,000 gallons.

Item 3. Legal Proceedings

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

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

None.

PART II

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

The following table shows the range of closing prices for the Common Stock on the NASDAQ Stock Market for the calendar quarter indicated.

1996	High	Low	Dividend
First Quarter	$19.25	$17.25	$0.27 1/2
Second Quarter	17.50	15.50	0.27 1/2
Third Quarter	18.00	16.00	0.27 1/2
Fourth Quarter	18.25	16.75	0.28

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

Approximate Number of Equity Security Holders As of December 31, 1996

Title of Class	Number of Record Holders
Common Stock, No par Value	2,342
Cumulative Preferred Stock, No par Value:	
$7 Series	17
$4.75 Series	1
Cumulative Convertible Preferred Stock, No par Value:	
$7 Series	4

Dividends

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

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

Item 6. Selected Financial Data

This information is incorporated herein by reference to the attached Exhibit 13, 1996 Annual Report to Shareholders, Page 23.

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

This information is incorporated herein by reference to the attached Exhibit 13, 1996 Annual Report to Shareholders, Pages 10 and 11.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and Independent Auditors' Report are incorporated herein by reference to the attached Exhibit 13, 1996 Annual Report to Shareholders, Pages 12 through 22. The supplementary data is included as indicated under Part IV, Item 14.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

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

Name	Age	Director Since	Term Expires	Position
Walter J. Brady	55	N/A	N/A	Vice President-Administration
John C. Cutting	60	1996	5/97	Director
Ernest C. Gere	64	1988	5/97	Director
John P. Mulkerin	59	1996	5/97	Director
Stephen H. Mundy	63	1977	5/98	Director
A. Bruce O'Connor	38	N/A	N/A	Vice President and Controller
Philip H. Reardon	60	1991	5/97	Director
Marion F. Reynolds	57	N/A	N/A	Vice President, Secretary and Treasurer
Richard A. Russo	51	1994	5/98	Executive Vice President
Carolina M. Schneider	78	1982	5/98	Director
William E. Scott	77	1978	5/99	Director
Jeffries Shein	56	1990	5/99	Director
Dennis G. Sullivan	55	N/A	N/A	Vice President and General Counsel, Assistant Secretary-Assistant Treasurer
J. Richard Tompkins	58	1981	5/99	Chairman of the Board and President
Ronald F. Williams	48	N/A	N/A	Vice President-Operations

Walter J. Brady, who joined the Company in 1962, was elected Assistant Secretary-Assistant Treasurer in 1979, Assistant Vice President in 1982, Vice President-Human Resources in 1987, and Vice President-Administration in 1989. He serves as Plan Administrator of the Pension Plan. He is a Director of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company, Pinelands Wastewater Company and Utility Service Affiliates, Inc.

John C. Cutting is a Senior Engineer with Science Applications International Corporation, Pittsburgh, Pennsylvania, specialists in information, energy and military systems, since 1987.

Ernest C. Gere, was Senior Vice President & Chief Financial Officer of Middlesex from 1986 until his retirement in 1996.

John P. Mulkerin is President of the First Savings Bank/SLA of Perth Amboy, New Jersey, and a Director since 1996 and prior to that date was Executive Vice President since 1987. He is also a Director of the Raritan Bay Health Services Corporation; President and Director of Alliance Distribution Center, Inc., and Trustee of Daytop Village Foundation.

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

A. Bruce O'Connor, a Certified Public Accountant, joined the Company in 1990 as Assistant Controller and was elected Controller in 1992 and Vice President in 1995. He assumed the designated title of Vice President and Controller and Chief Financial Officer in May 1996. He is responsible for financial reporting, customer service, rate cases, cash management and financings. He was formerly employed by Deloitte & Touche LLP, a certified public accounting firm from 1984 to 1990. He is Treasurer of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc. and Utility Service Affiliates, Inc., and Vice President and Director of Pinelands Water Company and Pinelands Wastewater Company.

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

Marion F. Reynolds who had been Secretary-Treasurer since 1987 was elected Vice President, Secretary and Treasurer in 1993. Prior to her election she had been employed by Public Service Electric and Gas Company, Newark, New Jersey since 1958, and was elected Assistant Corporate Secretary in 1976. She is Secretary of Tidewater Utilities, Inc., and Secretary/Treasurer of Pinelands Water Company and Pinelands Wastewater Company and a Director of Utility Service Affiliates, Inc.

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

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

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

Jeffries Shein is a Partner in the firm of Jacobson, Goldfarb & Tanzman Associates, a large industrial and commercial brokerage firm in New Jersey since 1968. He is a Director of First Savings Bank/SLA of Perth Amboy, New Jersey.

Dennis G. Sullivan was hired in 1984 as Corporate Attorney, responsible for general corporate internal legal matters. He was elected Assistant Secretary-Assistant Treasurer in 1988 and Vice President and General Counsel in 1990. He was employed in a private law practice from 1981 to 1984 as a staff attorney. He is Assistant Secretary and Assistant Treasurer and a Director of Tidewater Utilities, Inc., Vice President, Secretary and Director of White Marsh Environmental Systems, Inc.; a Director of Pinelands Water Company and Pinelands Wastewater Company and a Director and Secretary of Utility Service Affiliates, Inc.

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

Ronald F. Williams, was hired in March 1995 as Assistant Vice President-Operations, responsible for the Company's Engineering and Distribution Departments. He was elected Vice President-Operations in October 1995. He was formerly employed with the Garden State Water Company as President and Chief Executive Officer since 1991.

Item 11. Executive Compensation

There is shown below information concerning the annual and long-term compensation for services in all capacities to the Company for the years 1996, 1995 and 1994 of the Chief Executive Officer and the other four most highly compensated officers.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Restricted Stock Awards (1)	All Other Annual Compensation
J. Richard Tompkins	1996	$229,350	$40,844	$ 8,285(2)
Chairman of the Board	1995	$217,261	$42,188	$10,074
and President	1994	$208,350	$22,855	$ 9,683
Richard A. Russo	1996	$143,350	$21,239	$ 5,989(2)
Executive Vice President	1995	$132,885	$16,875	$ 5,483
	1994	$121,504	$13,060	$ 4,717
Walter J. Brady	1996	$115,350	$11,436	$ 5,170(2)
Vice President-	1995	$111,350	$10,125	$ 4,569
Administration	1994	$107,350	$ 9,795	$ 4,394

Dennis G. Sullivan	1996	$111,350	$13,070	$ 4,974(2)
Vice President &	1995	$106,816	$13,500	$ 4,350
General Counsel	1994	$ 99,754	$11,428	$ 4,060
Assistant Secretary &				
Assistant Treasurer				
Ronald F. Williams	1996	$104,350	$8,169	$ 4,023(2)
Vice President-Operations	1995	$ 76,408(3)	-	$ 1,202
	1994	- (3)	-	-

(1) The number and value of Restricted Stock held in escrow as of December 31, 1996 were as follows: Mr. Tompkins - 9,400/$157,336; Mr. Russo - 4,600/$77,176; Mr. Brady - 2,800/$47,659; Mr. Sullivan - 3,600/$60,590; and Mr. Williams - 500/$8,169. Generally, the restrictions lapse on these awards five years from the date of grant. The restrictions also lapse in the event of a change in control of the Company. All dividends on these shares are paid to the awardees.

(2) Includes employer contribution to the Company's defined contribution plan and life insurance premiums for 1996: Mr. Tompkins ($5,542 and $2,743), Mr. Russo ($5,005 and $984), Mr. Brady ($4,025 and $1,145), Mr. Sullivan ($3,885 and $1,089) and Mr. Williams ($3,640 and $383).

(3) Mr. Williams began his employment with the Company in March 1995.

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

Final Year's Compensation	Years of Service 15	20	25	30	35	45
$100,000	$ 60,013	$ 60,013	$ 60,013	$ 60,013	$ 60,013	$ 73,102
$125,000	$ 78,763	$ 78,763	$ 78,763	$ 78,763	$ 78,763	$ 92,852
$150,000	$ 97,513	$ 97,513	$ 97,513	$ 97,513	$ 97,513	$112,602
$175,000	$116,263	$116,263	$116,263	$116,263	$116,263	$116,263
$200,000	$135,013	$135,013	$135,013	$135,013	$135,013	$135,013
$225,000	$153,763	$153,763	$153,763	$153,763	$153,763	$153,763
$250,000	$172,513	$172,513	$172,513	$172,513	$172,513	$172,513
$300,000	$210,013	$210,013	$210,013	$210,013	$210,013	$210,013

All employees who receive pay for 1,000 hours during the year are included in the Plan. Under the noncontributory trusteed defined benefit plan current service costs are funded annually. The Company's annual contribution is determined on an actuarial basis. Benefits are measured from the member's entry date and accrue to normal retirement date or date of early retirement. Benefits are calculated, at normal retirement, at 1.25% of pay up to the Executive's benefit integration level, plus 1.9% of such excess pay, multiplied by service to normal retirement date, capped at 35 years of such excess pay, multiplied by service to normal retirement date of age 65. Average pay is the highest annual average of total pay during any 5 consecutive years within the 10 calendar-year period prior to normal retirement date. Covered compensation under the Pension Plan includes base wages only and not Directors' fees. The benefit integration level is based on the 1996 Summary Compensation Table. The benefit amounts are not subject to any deduction for Social Security benefits or other offset amounts.

The estimated credited years of service based on normal retirement at age 65 includes 22 years, 20 years, 44 years, 22 years and 19 years for Messrs. Tompkins, Russo, Brady, Sullivan and Williams, respectively.

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

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

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

Retirement benefits may be in the form of single life annuity, joint and 50% survivors annuity, joint and 100% survivors annuity, single life annuity with a 10-year certain period and single life annuity with a 15-year certain period paid on an actuarial equivalent basis. The Plan also provides for a preretirement net death benefit of 1-1/2 times base salary at date of death.

The Company is not obligated to set aside or earmark any monies or other assets specifically for the purpose of funding the Plan. The benefits are in the form of an unfunded obligation of the Company. The Company has elected to purchase Corporate-owned life insurance as a means of satisfying its obligation under this Plan. The Company reserves the right to terminate any plan of life insurance at any time, however, a participant is entitled to any benefits he would have been entitled to under the Plan provisions. For the year 1996 the Company paid life insurance premiums totaling $98,420, for Messrs. Tompkins, Russo, Brady, Sullivan, and Williams.

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

Compensation of Directors

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

Compensation Committee Interlocks and Insider Participation

During 1996 the members of the Executive Development and Compensation Committee were Stephen H. Mundy, Jeffries Shein and William E. Scott. During 1996 no member of the Executive Development and Compensation Committee was an officer or employee of the Company or a subsidiary. Mr. Stephen H. Mundy has a financial interest in a construction company that was awarded a contract based upon the lowest qualified competitive bid in the amount of $0.9 million in 1996.

Report of the Executive Development and Compensation Committee

The compensation program for executive officers of the Company is administered by the Executive Development and Compensation Committee of the Board of Directors. The 1996 Committee was composed of three independent directors: Stephen H. Mundy, Jeffries Shein and William E. Scott. The Committee is responsible for setting and administering the policies which govern annual compensation and Restricted Stock awards. Policies and plans developed by the Committee are approved by the full Board of Directors.

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

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

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

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

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

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

1997 Executive Development and
Compensation Committee
Stephen H. Mundy, Chairman
Jeffries Shein
Carolina M. Schneider

Stock Performance Graph

Set forth below is a line graph comparing the yearly change in the cumulative total return (which includes reinvestment of dividends) of a $100 investment for the Company's Common Stock, the NASDAQ and a peer group of investor-owned water utilities for the period of five years commencing December 31, 1991. The peer group includes Aquarion Company, California Water Service Company, Connecticut Water Service, Inc., Consumers Water Company, E'town Corporation, IWC Resources Corporation, Philadelphia Suburban Corporation, SJW Corporation, Southern California Water Company, Southwest Water Company, United Water Resources and the Company.

[GRAPHIC OMITTED]

	12/31/91	12/31/92	12/31/93	12/31/94	12/31/95	12/31/96
Middlesex	$100	$131	$173	$140	$168	$167
NASDAQ	100	116	134	131	185	227
Peer Group	100	113	129	120	137	178

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information made known to the Company as of December 31, 1996 of any person or group to be a beneficial owner of more than five percent of the Company's Common Stock.

Name and Address	Number of Shares Beneficially Owned and Nature of Beneficial Ownership (1)	Percent of Class
PNC Bank Corp. One PNC Plaza Pittsburgh, PA 15222	301,312	7.17

(1) Beneficial owner has sole voting and shared dispositive power over 292,800 shares, shared voting power over 1,000 shares and sole dispositive power over 7,512 shares.

The following information pertains to the Common Stock of the Company beneficially owned, directly or indirectly, by all Directors and Officers of the Company as a group, as of December 31, 1996.

	Common Stock	
	Number of Shares	Percent of Class
Walter J. Brady	7,102	.17
John C. Cutting	16,130	.38
Ernest C. Gere	5,859	.14
John P. Mulkerin	2,500	.06
Stephen H. Mundy	31,194	.74
A. Bruce O'Connor	2,299	.05
Philip H. Reardon	5,017	.12
Marion F. Reynolds	8,509	.20
Richard A. Russo	7,266	.17
Carolina M. Schneider	8,436	.20
William E. Scott	5,401	.13
Jeffries Shein(2)	65,697	1.56
Dennis G. Sullivan	5,475	.13
J. Richard Tompkins	19,853	.47
Ronald F. Williams	631	.02
Totals	191,369	4.55

(2) Includes 7,429 shares over which Mr. Shein has shared voting powers.

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

Item 13. Certain Relationships and Related Transactions

During 1996, 1995 and 1994, the Company had transactions with a construction company in which a Director has a financial interest. Major construction transactions were awarded on the basis of competitive bids approved by the Board of Directors (with the interested Director abstaining) and amounted to $0.9 million, $0.9 million and $0.6 million for the years 1996, 1995 and 1994, respectively. These amounts included less than $0.1 million due the construction company at December 31, 1996, 1995 and 1994.

PART IV

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

(a) 1. Financial Statements

The following information is incorporated herein by reference to the attached Exhibit 13, 1996, Annual Report to Shareholders, pages 10 through 23:

Management's Discussion and Analysis, Pages 10-11

Consolidated Balance Sheets at December 31, 1996, and 1995, Pages 12-13

Consolidated Statements of Income for each of the three years in the period ended December 31, 1996, Page 14

Consolidated Statements of Capital Stock and Long-term Debt at December 31, 1996, and 1995 Page 15

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1996, Page 16

Consolidated Statements of Retained Earnings for each of the three years in the period ended December 31, 1996, Page 17

Notes to Consolidated Financial Statements, Pages 18-22

Independent Auditors' Report, Page 22

(a) 2. Financial Statement Schedules

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

(a) 3. Exhibits

See Exhibit listing on Pages 21-23.

(b) Reports on Form 8-K
None

SIGNATURES

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

Chairman of the Board and President and Director	/s/ J. Richard Tompkins/ J. Richard Tompkins	3/27/97 Date
Executive Vice President and Director	/s/ Richard A. Russo/ Richard A. Russo	3/27/97 Date
Vice President and Controller Principal Accounting Officer	/s/ A. Bruce O'Connor/ A. Bruce O'Connor	3/27/97 Date
Director	/s/ John C. Cutting/ John C. Cutting	3/27/97 Date
Director	/s/ Ernest C. Gere/ Ernest C. Gere	3/27/97 Date
Director	/s/ John P. Mulkerin/ John P. Mulkerin	3/27/97 Date
Director	/s/ Stephen H. Mundy/ Stephen H. Mundy	3/27/97 Date
Director	/s/ Philip H. Reardon/ Philip H. Reardon	3/27/97 Date
Director	/s/ Carolina M. Schneider/ Carolina M. Schneider	3/27/97 Date
Director	/s/ William E. Scott/ William E. Scott	3/27/97 Date
Director	/s/ Jeffries Shein/ Jeffries Shein	3/27/97 Date

EXHIBIT INDEX

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

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
3.1	Certificate of Incorporation of the Company, as amended, filed as Exhibit 3.1 of 1993 Form 10-K.		
3.2	Bylaws of the Company, as amended.	33-54922	3.2
4.1	Form of Common Stock Certificate.	2-55058	2(a)
4.2	Registration Statement, Form S-3, under Securities Act of 1933 filed February 3, 1987, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
4.3	Post Effective Amendments No. 3 and No. 4, Form S-3, under Securities Act of 1933 filed May 28, 1993, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	33-11717	
*10.1	Copy of Purchased Water Agreement between the Company and Elizabethtown Water Company.		
10.2	Copy of Mortgage, dated April 1, 1927, between the Company and Union County Trust Company, as Trustee, as supplemented by Supplemental Indentures, dated as of October 1, 1939, April 1, 1946, April 1, 1949, February 1, 1955 and December 1, 1959.	2-15795	4(a)-4(f)
10.3	Copy of Supplemental Indenture, dated as of January 15, 1963, between the Company and Union County Trust Company, as Trustee.	2-21470	4(b)
10.4	Copy of Supplemental Indentures, dated as of July 1, 1964, June 1, 1965, February 1, 1968, December 1, 1968, December 1, 1970, December 1, 1972 and June 15, 1991, between the Company and Union County Trust Company, as Trustee	33-54922	10.4 - 10.9 and 10.16

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
10.5	Copy of Supplemental Indenture, dated as of April 1, 1979, between the Company and United Counties Trust Company, as successor Trustee.	2-64770	5.9
10.6	Copy of Supplemental Indenture, dated as of April 1, 1983, between the Company and United Counties Trust Company, as successor Trustee.	2-94106	10.12
10.7	Copy of Supplemental Indenture, dated as of August 15, 1988, between the Company and United Counties Trust Company, as Trustee.	33-31476	4.3
10.8	Copy of Trust Indenture, dated as of June 15, 1991, between the New Jersey Economic Development Authority and Midlantic National Bank, as Trustee.	33-54922	10.17
10.9	Copy of Supply Agreement, dated as of November 17, 1986, between the Company and the Old Bridge Municipal Utilities Authority.	33-31476	10.12
10.10	Copy of Supply Agreement, dated as of July 14, 1987, between the Company and the Marlboro Township Municipal Utilities Authority, as amended.	33-31476	10.13
10.11	Copy of Supply Agreement, dated as of February 11, 1988, with modifications dated February 25, 1992, and April 20, 1994, between the Company and the Borough of Sayreville filed as Exhibit No. 10.11 of 1994 First Quarter Form 10-Q.		
10.12	Copy of Water Purchase Contract and Supplemental Agreement, dated as of May 12, 1993, between the Company and the New Jersey Water Supply Authority filed as Exhibit No. 10.12 of 1993 Form 10-K.		
10.13	Copy of Treating and Pumping Agreement, dated April 9, 1984, between the Company and the Township of East Brunswick.	33-31476	10.17
10.14	Copy of Supply Agreement, dated June 4, 1990, between the Company and Edison Township.	33-54922	10.24

Exhibit No.	Document Description	Previous Filing's Registration No.	Previous Filing's Exhibit No.
*10.15	Copy of Supply Agreement, between the Company and the Borough of Highland Park		
10.16	Copy of Pipeline Lease Agreement, dated as of January 9, 1987, between the Company and the City of Perth Amboy.	33-31476	10.20
10.17	Copy of Supplemental Executive Retirement Plan, effective January 1, 1984, as amended.	33-31476	10.21
10.18	Copy of 1989 Restricted Stock Plan, filed as Appendix A to the Company's Definitive Proxy Statement, dated April 19, 1989, and filed April 5, 1989.	33-31476	10.22
10.19	Amendment to Supplemental Executive Retirement Plan, dated May 23, 1990, filed as Exhibit No. 10.23 of 1991 Form 10-K.		
10.20	Copy of Transmission Agreement, dated October 16, 1992, between the Company and the Township of East Brunswick.	33-54922	10.23
10.21	Copy of Agreement and Plan of Merger, dated January 7, 1992, between the Company, Midwater Utilities, Inc. and Tidewater Utilities, Inc.	33-54922	10.29
10.22	Copy of Supplemental Indentures, dated March 1, 1993 (Series P-1), September 1, 1993, (Series S & T) and January 1, 1994, (Series U & V), between the Company and United Counties Trust Company, as Trustee, filed as Exhibit No. 10.22 of 1993 Form 10-K.		
10.23	Copy of Trust Indentures, dated September 1, 1993, (Series S & T) and January 1, 1994, (Series V), between the New Jersey Economic Development Authority and First Fidelity Bank (Series S & T), as Trustee, and Midlantic National Bank (Series V), as Trustee, filed as Exhibit No. 10.23 of 1993 Form 10-K.		
*10.24	Copy of Supply Agreement between the Company and the City of South Amboy.		
*13	Annual Report to Shareholders for the year ended December 31, 1996, pages 10 through 23.		
*23	Independent Auditors' Consent.		
*27	Financial Data Schedule		

WATER SERVICE AGREEMENT

BETWEEN

MIDDLESEX WATER COMPANY

AND

ELIZABETHTOWN WATER COMPANY

THIS AGREEMENT (the "AGREEMENT") made this 28th day of April, 1995,

BETWEEN

ELIZABETHTOWN WATER COMPANY, a public utility and corporation organized under the laws of the State of New Jersey, with its principal office at 600 South Avenue, Town of Westfield, County of Union, State of New Jersey,

hereinafter referred to as "ELIZABETHTOWN",

AND

MIDDLESEX WATER COMPANY, a public utility and corporation organized under the laws of the State of New Jersey, with offices at 1500 Ronson Road, Iselin, Woodbridge Township, State of New Jersey

hereinafter referred to as "MIDDLESEX",

WHEREAS, ELIZABETHTOWN has a Rate Schedule No. 8, "Service to Other Systems Under Contract", filed under authority of The Board of Public Utilities, and MIDDLESEX desires to continue to obtain a supply of water under this rate schedule and subject to its provisions, as may be amended and supplemented under approval of the Board of Public Utilities; and

WHEREAS, ELIZABETHTOWN and MIDDLESEX presently have a contract for water supply dated December 4, 1990 and the parties desire to have this Agreement supersede the existing contract; and

WHEREAS, ELIZABETHTOWN and the BOROUGH OF HIGHLAND PARK ("HIGHLAND PARK") also have a contract for water supply dated July 21, 1986 (the "Elizabethtown-Highland Park Contract") and HIGHLAND PARK has indicated its desire to receive such water supply from MIDDLESEX instead of ELIZABETHTOWN; and

WHEREAS, MIDDLESEX and HIGHLAND PARK have indicated their desire to enter into a contract for the provision of such a supply of water.

NOW THEREFORE, the parties hereto agree as follows:

1. Effective on and after the date in 1995 that HIGHLAND PARK changes its source of supply (that is, the supply it currently receives from Elizabethtown) from ELIZABETHTOWN to MIDDLESEX ("Transition date") and has signed an agreement of termination of the Elizabethtown - Highland Park Contract and has also signed a modification of its current water supply contract with Middlesex, ELIZABETHTOWN agrees to terminate its rights under the Elizabethtown-Highland Park Contract and ELIZABETHTOWN and MIDDLESEX agree to replace with this Agreement the existing water supply contract between ELIZABETHTOWN and MIDDLESEX, dated December 4, 1990. In addition, effective on and after the Transition Date, ELIZABETHTOWN agrees to sell, deliver and transport to MIDDLESEX, and MIDDLESEX agrees to accept, potable water from the water sources and supplies of ELIZABETHTOWN. MIDDLESEX agrees to pay for a minimum daily quantity of water in the amount of 3 million gallons per day at the rate set forth in Rate Schedule No. 8, Service to Other Systems Under Contract, and subject to its

provisions as they may be amended and supplemented under approval of the New Jersey Board of Public Utilities.

2. This Agreement for 3 million gallons per day will be effective for the period between the Transition Date set forth previously and December 31, 2005.

3. All water supplied to MIDDLESEX by ELIZABETHTOWN shall be metered, by meters owned and maintained by ELIZABETHTOWN, at the existing meter station commonly known as Tingley Lane, and such other locations as may be agreed upon by the parties.

4. Where the words "daily" or "24 hours" are used in this Agreement, they shall refer to the 24-hour period between daily meter readings. Meter readings shall be taken daily when feasible, and if not, the actual consumption shall be averaged over the period that the meter has not been read.

5. In the event that the total daily quantity of water delivered by ELIZABETHTOWN exceeds said 2 million gallons per day or 3 million gallons per day, such quantity shall be paid for at the rate set forth in Rate Schedule No. 8 "Service To Other Systems Under Contract".

6. ELIZABETHTOWN will supply water at a total flow rate greater than said 2 or 3 million gallons per day through meter connections noted under paragraph (5), based on availability as reasonably determined by ELIZABETHTOWN.

7. ELIZABETHTOWN shall use reasonable diligence to provide a continuous supply of water, subject to interruptions by reason of acts of God, accident, strike, legal process, State or municipal interference or other causes whatsoever beyond its control and shall not be liable for damages to MIDDLESEX by reason of interruptions in the supply of water to MIDDLESEX.

8. MIDDLESEX shall completely indemnify, protect and save harmless ELIZABETHTOWN from any and all costs, expenses, liabilities, losses, claims,

suits and proceedings of whatsoever nature arising out of the use of the water supplied to the MIDDLESEX service area and attributable to the negligence of MIDDLESEX.

IN WITNESS WHEREOF, ELIZABETHTOWN WATER COMPANY has caused these presents to be signed by its Senior Vice President and its corporate seal to be affixed hereto and attested by its Secretary, and MIDDLESEX WATER COMPANY, in the County of Middlesex, has caused these presents to be signed by its Chairman of the Board and President and its corporate seal to be affixed hereto and attested by its Vice President, Secretary-Treasurer, the day and year first written above.

(SEAL) ELIZABETHTOWN WATER COMPANY

ATTEST: By:/s/ Norbert Wagner
Norbert Wagner
Senior Vice President-Operations

/s/ Walter M. Braswell
Walter M. Braswell, Secretary

(SEAL) MIDDLESEX WATER COMPANY

ATTEST: By:/s/ J. Richard Tompkins
J. Richard Tompkins
Chairman of the Board and President

/s/ Marion F. Reynolds
Marion F. Reynolds
Vice President, Secretary and Treasurer

FIRST AMENDMENT TO
AN AGREEMENT FOR A SUPPLY OF WATER
BY MIDDLESEX WATER COMPANY
TO THE BOROUGH OF HIGHLAND PARK
DATED AS OF OCTOBER 24, 1995

This Amendment (hereinafter referred to as the "Amendment") made this 28th day of May, 1996 between Middlesex Water Company, a public utility and corporation organized under the laws of the State of New Jersey with offices at 1500 Ronson Road, Iselin, New Jersey (hereinafter referred to as "Middlesex"), and the Borough of Highland Park, a municipal corporation of the State of New Jersey (hereinafter referred to as "Highland Park").

BACKGROUND

1. The parties hereto had entered into an Agreement for a Supply of Water by Middlesex to Highland Park, dated as of October 24, 1995 (hereinafter referred to as the "1995 Agreement"); and

2. The 1995 Agreement, in Article 4 thereof, provides means for delivery of water supplied by Middlesex to Highland Park and further provides that delivery of water may be made "through such other points of delivery as may be agreed to from time to time by the parties"; and

3. The parties have agreed that a point of delivery, in addition to those provided for in the 1995 Agreement, would be useful and necessary at this time in furtherance of the 1995 Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties agree to amend the 1995 Agreement by adding the following at the end of Article 4 of the 1995 Agreement:

4.1 Highland Park will install, at its cost, a twelve (12) -inch transmission main from a connection to be made to Highland Park's distribution system at the intersection of Bartle Court and Cedar Lane and extending to a location in the Middlesex twenty-foot wide right-of-way near the Cedar Lane apartments, (the "Interconnection Location") and connecting with the main described in Article 4.2 below.

4.2 Middlesex will install, at the cost of Highland Park, a twelve (12)-inch transmission main from the Interconnection Location, described in Article 4.1 above, and extending from such Interconnection Location to the Middlesex CJO Treatment Plant property, with an interconnection to the Middlesex system on such Treatment Plant property. Such installation will be at the cost of Highland Park. Such cost will be Middlesex's actual costs estimated to be $160,000. Highland Park will make payment for such cost upon completion of the main described in this Article 4.2. Upon completion of construction, Highland Park will own, operate and maintain the main described in this Article 4.2.

4.3 Highland Park will grant to Middlesex an easement, generally in the form attached hereto as Exhibit A, permitting Middlesex's future, non-exclusive use of the easement to be used by Highland Park for the main to be constructed by Highland Park, as described in Article 4.1 above. Such easement to Middlesex described in this Article 4.3 will provide for the future, non-exclusive use of such easement by Middlesex for such additional facilities as may be required by Middlesex. In consideration thereof, Middlesex will absorb the cost of the meter pit to be constructed within the CJO Treatment Plant property.

4.5 If any of the provisions of this Amendment shall be invalid or unenforceable, such invalidity for unenforceability shall not invalidate or render unenforceable the remainder of this Amendment, to the extent practicable, and the 1995 Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions and the rights and obligations of the parties shall be construed and enforced accordingly.

4.6 Except as modified by this Amendment, the 1995 Agreement shall remain in effect and unchanged.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the day and year first written above.

MIDDLESEX WATER COMPANY

ATTEST:

BY: /s/ RICHARD A. RUSSO

(Richard A. Russo)
Executive Vice President

/s/ MARION F. REYNOLDS
- ----------------------------------
(Marion F. Reynolds)
Vice President, Secretary and
Treasurer

BOROUGH OF HIGHLAND PARK

By: /s/ H. JAMES POLOS

(H. James Polos, Mayor)

/s/ VALERIE THOMPSON
- -----------------------------------
(Valerie Thompson) Borough Clerk

(DOC-Ex 10.15)

FOR A SUPPLY OF WATER

BY

MIDDLESEX WATER COMPANY

TO THE

BOROUGH OF HIGHLAND PARK

Dated as of October 24, 1995

This Agreement (hereinafter referred to as the "Agreement") made as of this 24th day of October, 1995 between:

> MIDDLESEX WATER COMPANY, a public utility and corporation organized under the laws of the State of New Jersey, with offices at 1500 Ronson Road, Iselin, New Jersey (hereinafter referred to as "Middlesex"),

and the

> BOROUGH OF HIGHLAND PARK, a municipal corporation of the State of New Jersey (hereinafter referred to as "Highland Park").

W I T N E S S E T H:

WHEREAS, Middlesex owns and operates a public water supply system; and

WHEREAS, Highland Park has requested that Middlesex provide it with additional supplies of water for private and public use; and

WHEREAS, the parties intend that their Agreement for a Supply of Water, dated September 23, 1981 and their subsequent Agreements dated as of September 23, 1986 and December 5, 1991, are to be superseded by this new Agreement;

Now therefore, in consideration of the premises and of the mutual covenants herein contained, the parties agree that:

1. SUPPLY OF WATER.

Middlesex agrees to supply Highland Park with water upon the terms and conditions set forth herein.

2. TERM.

This Agreement shall be binding upon execution by both parties. Service under this Agreement shall begin on or before December 31, 1995, such date intended to be the date on which Highland Park changes its source of supply, that is, that amount of its supply which it currently receives under an agreement between Highland Park and the Elizabethtown Water Company, from the Elizabethtown Water Company to Middlesex Water Company. Service under this Agreement shall terminate on December 31, 2005. However, the terms of the Agreement shall remain in effect after December 31, 2005 unless written notice of intention to terminate the Agreement is given by either party at least thirty (30) days prior to the end of such period. In the event that such notice has not been given, the Agreement shall remain in effect until the earlier of (a) renewal or modification of the Agreement by consent of both parties, or (b) a date no less than ninety (90) days after the date that either party provides written notification of termination.

3. RATE.

Highland Park shall pay for water delivered pursuant hereto at the rate of $960.64 per million gallons according to Rate Schedule No. 5 or as said rate may be changed from time to time with the approval of the Board of Public Utilities of the State of New Jersey, or its successor agency, as required by law (hereinafter referred to as the "Contract Rate").

4. METER STATIONS/DELIVERY SYSTEM.

Water to be supplied by Middlesex hereunder shall be delivered to Highland Park through an existing interconnection in Suttons Lane in Edison adjacent to the railroad right of way and through such other points of delivery as may be agreed to from time to time by the parties (hereinafter referred to as the "Meter Stations"). The parties agree that Middlesex shall install one or more additional interconnections on a large diameter transmission main (anticipated to be 36 or 42 inches in diameter) planned for future construction by Middlesex and extending from Middlesex's Treatment Plant in Edison, through the Borough of Highland Park, to a transmission main or other facilities of Middlesex. The general route for the Transmission Main is shown on Exhibit A. (Said transmission main is hereinafter referred to as the "SRB Transmission Main" or the "Transmission Main".) The SRB Transmission Main may be constructed in phases.

The parties agree that Middlesex may proceed with the construction of the SRB Transmission Main and any connections thereto necessary or convenient for delivery of water supplies to Highland Park. The construction of the SRB Transmission Main and any service connections (and meter chambers) related to the SRB Transmission Main shall be at the sole cost of Middlesex. Highland Park agrees to cooperate and act in good faith in connection therewith and in providing and obtaining necessary or desirable governmental approvals, authorizations, rights of way and other actions. Highland Park agrees to grant to Middlesex or to acquire for Middlesex, by purchase, condemnation, exchange or otherwise, to the extent legally authorized, all lands, and/or easements in Highland Park as are necessary or convenient for Middlesex's construction and use of the SRB Transmission Main, and for any other mains, pipelines and appurtenances necessary or convenient for water service to Highland Park with all costs borne by Middlesex.

Middlesex agrees to comply with reasonable requirements of Highland Park for pavement and property restoration.

5. METERS, SERVICES AND OTHER APPURTENANCES.

Middlesex shall furnish, install and maintain at its own cost such service connections and meters as agreed upon by both parties for connection to Highland Park's water distribution system. The meters and service pipes shall remain the property of Middlesex. Highland Park shall furnish, install and maintain at its own cost all other piping, fittings, valves, meter pits or vaults and appurtenances necessary to take water from Middlesex.

6. EXCLUSIVE SUPPLIER.

The parties agree that during the term of this Agreement, Middlesex shall be Highland Park's sole supplier of water. Except as provided in this paragraph, Highland Park shall not purchase water from any other supplier in the normal course of business. Highland Park shall have the right to purchase water from other sources in the event of an emergency or during any periods of time that Middlesex is unable to supply water as provided in this Agreement.

7. MINIMUM PAYMENT OBLIGATION.

Highland Park shall be obligated to pay for the Daily Minimum quantity of water. "Daily Minimum" shall mean either (a) one million two hundred thousand (1.2 mgd) gallons of water a day, or (b) such greater amount as may be established under paragraph 8 of this Agreement.

All water taken in any 24-hour period in excess of the Daily Minimum shall be paid for at the Contract Rate.

8. INCREASE IN MINIMUM PAYMENT OBLIGATION.

The total daily quantity of water taken by Highland Park at the Meter Stations may exceed the Daily Minimum by up to 100% on a 24-hour basis without affecting the minimum payment obligation.

The quantity of water supplied in the peak hour multiplied by 24 may exceed the Daily Minimum by 200% without affecting the minimum payment obligation.

If either the quantity of water taken in a 24-hour period shall exceed the Daily Minimum by more than 100% or if the maximum hourly flow multiplied by 24 shall exceed the Daily Minimum by more than 200%, the Daily Minimum will be increased to the greater of: (a) one-half of the daily quantity of water supplied in the 24-hour period; or (b) one-third of the quantity supplied in the peak hour multiplied by 24. (For example, an existing Daily Minimum of 1.2 million gallons per day ("mgd") will be increased if the quantity of water taken in any 24-hour period exceeds 2.4 mgd, or if the quantity of water taken in any peak hour multiplied by 24 exceeds 3.6 mgd.)

In no instance, and under no conditions, shall the daily quantity of water supplied and purchased under this Agreement exceed 4.0 million gallons, nor shall the maximum hourly flow multiplied by 24 exceed 5.0 million gallons per day.

Any increased Daily Minimum payment obligation shall continue in effect for 12 months unless increased again by an overrun. After this 12-month period with the higher Daily Minimum in effect, the Daily Minimum shall revert to the next lower minimum incurred during the four months preceding the end of such 12-month period and that amount shall continue as the Daily Minimum for 12 months unless increased again by an overrun.

9. COMBINED CHARGE.

The Daily Minimum payment obligation shall be determined on the basis of the combined total daily quantity of water supplied through all the Meter Stations.

10. DEFINITIONS.

Where the words "daily" or "24-hours" are used in this contract, they shall refer to the 24-hour period between the daily meter readings.

11. EXCEPTIONS FOR EMERGENCIES.

The Daily Minimum payment obligation shall not be affected in the event that the amount of water supplied to Highland Park exceeds the daily or hourly limitations established herein for not more than 24 hours in case of fire or main break emergencies and for not more than five days in the case of other catastrophes requiring an emergency supply of water, provided Middlesex is promptly notified that any such emergency exists.

12. METER READINGS.

Middlesex will read the meters daily for all water supplied to Highland Park at each connection then in operation.

13. EXCUSED PERFORMANCE.

Middlesex agrees to provide a continuous, regular and uninterrupted supply of water, subject to interruptions by reasons of acts of God, accident, strike, legal process, State or municipal interference or other cause beyond its control, but shall not be liable for damages to Highland Park by reasons of inadequate pressure or volume or failure to provide water for any cause whatever.

14. INDEMNIFICATION/LIMITATION OF LIABILITY.

Highland Park shall completely indemnify, protect and save harmless Middlesex from any and all costs, expenses, liability, losses, claims, suits and proceedings of any nature whatsoever arising out of the water service by Highland Park. However, as to claims involving water quality, the within Article is intended not to apply to water until after it is delivered to Highland Park's system, i.e. after water is supplied through the Meter Stations referred to in Article 4.

Middlesex shall completely indemnify, protect and save harmless Highland Park from all costs, expenses, liability, losses, claims, suites and proceedings of any nature whatsoever arising out of any negligence of Middlesex.

Notwithstanding anything herein to the contrary, Middlesex's aggregate liability to Highland Park arising out of or in connection with this Agreement shall not exceed an amount equal to one year's gross revenues required to be paid by Highland Park to Middlesex based upon the Daily Minimum in effect at the time of the occurrence giving rise to the liability, and Highland Park hereby releases Middlesex from any liability in excess thereof. This paragraph is not intended to limit Middlesex's liability to third parties.

15. REGULATORY APPROVALS.

If required by law, this Agreement shall be filed with and subject to approval by the Board of Public Utilities of the State of New Jersey and the Department of Environmental Protection of the State of New Jersey.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first written above.

MIDDLESEX WATER COMPANY

ATTEST:

By: /s/ J. RICHARD TOMPKINS

(J. Richard Tompkins)
Chairman of the Board and President

/s/ MARION F. REYNOLDS
- --------------------------------
(Marion F. Reynolds)
Vice President, Secretary and
Treasurer

BOROUGH OF HIGHLAND PARK

ATTEST:

By: /s/ H. JAMES POLOS

(H. James Polos), Mayor

/s/ VALERIE THOMPSON
- ---------------------------------
(Valerie Thompson) Borough Clerk

(DOC-Ex 10.15)

AGREEMENT

FOR A SUPPLY OF WATER

BETWEEN

MIDDLESEX WATER COMPANY

AND THE

CITY OF SOUTH AMBOY

DATED AS OF OCTOBER 26, 1994

This Agreement (hereinafter referred to as the "Agreement") made as of this 26th day of October, l994, between MIDDLESEX WATER COMPANY, a public utility and corporation organized under the laws of the State of New Jersey, with offices at l500 Ronson Road, Iselin, New Jersey (hereinafter referred to as "Middlesex"), and the CITY OF SOUTH AMBOY, a municipal corporation of the State of New Jersey, with its principal offices located at l40 North Broadway, South Amboy, New Jersey 08879-l647 (hereinafter referred to as "South Amboy").

W I T N E S S E T H:

WHEREAS, Middlesex owns and operates a public water supply system; and

WHEREAS, over the past seven years Middlesex has been developing, through both lease and new construction, a transmission system which is intended to meet the long term needs of the communities in the South River Basin area, and which is at present capable of meeting the requirements of this Agreement (the existing components of this transmission system are hereinafter referred to as the "South River Basin Transmission System"); and

WHEREAS, South River Basin Transmission System includes a transmission main which in close proximity to South Amboy; and

WHEREAS, South Amboy owns and operates a water distribution system (hereinafter referred to as the "South Amboy System"); and

WHEREAS, South Amboy has requested that Middlesex provide it with a long term supply of water for private and public use; and

WHEREAS, Middlesex has agreed to install a connecting transmission main from the South River Basin Transmission System to the South Amboy System; and

WHEREAS, it is anticipated that water service by Middlesex to South Amboy will be available by January 1, 1995 under the terms of the Agreement; and

WHEREAS, South Amboy receives water supplies from the City of Perth Amboy under a water supply agreement and South Amboy has requested that Middlesex supply all of South Amboy's water supply needs in excess of any amount South Amboy may be required to take from the City of Perth Amboy.

NOW THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties agree that:

l. Supply of Water.

Middlesex agrees to supply South Amboy with water and South Amboy agrees to accept such water upon the terms and conditions set forth herein.

2. Term.

The terms of this Agreement shall be binding upon both parties upon execution. Service shall begin as provided in Article 4 hereof, and except as otherwise provided herein, service shall terminate on May 31, 2015.

At the end of such time, however, at the option of South Amboy, the Agreement may be renewed for an additional period of up to twenty years, from the date of expiration, and thereupon the terms of the Agreement shall otherwise remain in full force and effect. If South Amboy intends to exercise this option to renew, South Amboy shall provide to Middlesex written notice thereof at least one year prior to the termination of this Agreement.

The terms of the Agreement shall remain in effect after May 31, 2015, and any periods of renewal of the Agreement, unless written notice of intention to terminate the Agreement is given by either party at least three hundred sixty-five (365) days prior to the end of any such period. In the event that such notice has not been given, the Agreement shall remain in effect until the earlier of (a) renewal or modification of the Agreement by consent of both parties, or (b) the date no less than three hundred sixty-five (365) days after the date that either party provides written notification of termination.

3. Rate.

After service to South Amboy is commenced, South Amboy shall pay Middlesex at a rate which is the sum of (a) Middlesex's tariff for Service Under Contract (Rate Schedule No. 5), currently at the rate of $962.85 per million gallons; and (b) Middlesex's tariff for Transmission Service South River Basin (Rate Schedule No. 7), currently at the rate of $401.79 per million gallons. Each of these rates is pursuant to a tariff which is subject to the approval of the New Jersey Board of Public Utilities or successor agency (hereinafter referred to as "BPU") or as applicable rates and tariffs may be established and/or changed from time to time with the approval of the BPU as required by law. (Such combined rate is hereinafter referred to as the "Tariff Rate"). South Amboy shall pay Middlesex at the said Tariff Rate for water delivered to Meter Stations (as defined below in Article 5 Meter Stations/Points of Delivery) or for the Daily Minimum payment obligation (as defined below in Article 8. Minimum Payment Obligation), whichever is greater.

4. Delivery System.

Both parties agree to proceed with the establishment of any connections necessary for South Amboy to take water from the said South River Basin Transmission System. Unless otherwise agreed, and subject to any required approvals by the New Jersey Department of Environmental Protection (hereinafter "DEP"), Middlesex shall construct and install a Service Connection from the South River Basin Transmission System to the South Amboy System via "Route A" as same is more particularly described in a Middlesex Water Company report titled "Proposed Water Service for The City of South Amboy" dated June 24, 1994, including such other facilities as Middlesex reasonably deems necessary to meet its obligations under this Agreement (hereinafter referred to as "Service Connection"). Middlesex shall operate and maintain the Service Connection generally and under reasonable demand flow conditions (including fire demand) so that water pressure in the Service Connection, as measured at the Meter Station as hereinafter described, shall be at a hydraulic grade line of 210 feet relative to the National Geodetic Vertical Datum of 1929. Middlesex shall also construct and install a meter chamber (hereinafter referred to as "Meter Chamber") along that Service Connection at a location mutually agreeable to the parties, which agreement shall not be unreasonably withheld. South Amboy agrees to accept service and initiate its payment obligation when such service becomes available, that is, when Middlesex completes the above-mentioned Service Connection and Meter Chamber and Middlesex can provide water to South Amboy at the Meter Chamber. The construction of the Service Connection and Meter Chamber shall be at the sole cost of Middlesex; however, South Amboy agrees to reimburse Middlesex for the undepreciated original cost of the Service Connection and Meter Chamber if South Amboy wrongfully terminates this Agreement before the term of this Agreement.

If for any reason the Service Connection contemplated by this paragraph cannot be constructed at a reasonable cost or within a reasonable time period, as determined by Middlesex, Middlesex may develop an alternative delivery system reasonably acceptable to South Amboy.

South Amboy further agrees to cooperate and act in good faith in connection therewith and in providing and obtaining necessary or desirable governmental approvals, authorizations and other actions.

South Amboy agrees that it shall be South Amboy's sole responsibility to grant to Middlesex or to acquire for Middlesex, by purchase, condemnation, exchange or otherwise, to the extent legally authorized, all lands and/or easements in South Amboy as are necessary for Middlesex's construction and use of pipelines and appurtenances necessary for water service to South Amboy, with all costs borne by Middlesex.

5. Meter Stations/Points of Delivery.

The parties understand and agree that delivery shall be made through the Meter Chamber described in Article 4 above and through such other points of delivery in the City of South Amboy as may be reasonably agreed upon from time to time by the parties (hereinafter referred to as "Meter Stations"), which agreement shall not be unreasonably withheld. Water so supplied shall be metered at the Meter Stations.

6. Meters, Services and Other Appurtenances.

The meters and service pipes and appurtenances comprising the Service Connection up to and including the interconnection with the South Amboy System shall remain the property of Middlesex. Middlesex shall maintain and verify the accuracy of said meters annually and South Amboy shall have the right of access to the Meter Stations to test the meters by a certified meter technician at any reasonable time upon written notice.

7. Exclusive Supplier.

The parties understand that at the time of executing this Agreement South Amboy receives water supplies from the City of Perth Amboy under a water supply contract. South Amboy agrees that Middlesex shall supply all of South Amboy's water supply needs in excess of any amount South Amboy may be required to take from the City of Perth Amboy under that contract. In addition, if South Amboy's contract with the City of Perth Amboy terminates before the end of this Agreement (between South Amboy and Middlesex) or before the end of any renewals of this Agreement, either by the terms of the contract between South

Amboy and the City of Perth Amboy or for any other reason, Middlesex shall be South Amboy's sole supplier of water. Except as provided in this paragraph with respect to the contract with Perth Amboy, South Amboy shall not purchase water from any other supplier in the normal course of business. South Amboy shall have the right to purchase water from other sources when Middlesex is unable to comply with any of the material terms of this contract. While South Amboy may develop its own back-up capabilities and sources of supply, it may not do so with the intent to replace Middlesex Water as its major or sole supplier during the life of this contract unless so directed by a lawful exercise of government power.

8. Minimum Payment Obligation.

Thirty days after service to South Amboy is commenced, South Amboy shall be obligated to pay for the Daily Minimum quantity of water at the Tariff Rate. "Daily Minimum" shall mean:

a) 0.2 million gallons of water a day (hereinafter referred to as "mgd") until May 31, 2008;

b) 0.7 mgd after May 31, 2008; or

c) such greater amount as may be established under Article 9 of this Agreement.

All water taken in any 24-hour period in excess of the Daily Minimum shall be paid for at the Tariff Rate.

9. Increase in Minimum Payment Obligation.

The provisions of this Article 9 concerning an increase in South Amboy's minimum payment obligation shall not take effect until after South Amboy's usage exceeds 15 million gallons per month (that is, the equivalent of 0.5 mgd usage for a one-month period).

The total daily quantity of water taken by South Amboy at the Meter Stations may exceed the Daily Minimum by up to 100% on a 24-hour basis without affecting the minimum payment obligation. The quantity of water supplied in the peak hour multiplied by 24 may exceed the Daily Minimum by 200% without affecting the minimum payment obligation.

If the quantity of water taken in a 24-hour period shall exceed the Daily Minimum by more than 100% or if the maximum hourly flow multiplied by 24 shall exceed the Daily Minimum by 200%, the Daily Minimum will be increased to the greater of:

a) One-half of the daily quantity of water supplied in the 24-hour period; or

b) One-third of the quantity supplied in the peak hour multiplied by 24.

(For example, an existing Daily Minimum of 0.2 million gallons will be increased if the quantity of water taken in any 24-hour period exceeds 0.4 million gallons per day, or if the quantity of water taken in any peak hour multiplied by 24 exceeds 0.6 million gallons a day.)

In no instance, and under no conditions, shall the daily 24-hour quantity of water supplied and purchased under this Agreement exceed 4 million gallons, nor shall the maximum hourly flow exceed the rate of 7 million gallons per day, unless otherwise agreed in writing by Middlesex.

Any increased Daily Minimum shall continue for 12 months unless increased again by an overrun. After this 12-month period with the higher Daily Minimum in effect, the Daily Minimum shall revert to the next lower Daily Minimum which would have been in effect during the 12 months, and that amount shall continue as the Daily Minimum for l2 months from the date of its occurrence, unless increased again by an overrun.

There will be no increase in the minimum payment obligation during the period South Amboy is contractually bound to Perth Amboy, if the enhanced

South Amboy water usage is due to difficulties Perth Amboy experiences in delivering water to South Amboy.

10. Payment.

Bills for service rendered shall be submitted monthly, by the 15th day of every month, or the first business day thereafter, by Middlesex to South Amboy and payment therefor shall be made within thirty (30) days. Water service charges shall be computed on a daily basis in conformity with the requirements of Article 8.

11. Combined Charge.

Payments for water in excess of the Daily Minimum and adjustments of the Daily Minimum under Article 9 shall be determined on the basis of the combined total daily quantity of water supplied through all the Meter Stations as determined by meter readings at said Meter Stations.

12. Meter Readings.

Middlesex will read the meters daily (at a regular hour determined by Middlesex) for all water supplied to South Amboy at each connection then in operation. Copies of these meter readings shall accompany the bills sent to South Amboy.

13. Definitions.

Where the words "daily" or "24-hours" are used in this , they shall refer to the 24-hour period between the daily meter readings.

14. Quality.

Middlesex anticipates that its water quality will meet or exceed the minimum quality required or recommended by Federal and State standards. Middlesex agrees that all water delivered to South Amboy at the Meter Stations by Middlesex under this Agreement shall comply with all Federal and State primary regulations mandated for safe drinking water ("Regulations"). In addition, Middlesex shall take all steps reasonably available to meet the Federal and State secondary levels recommended for water quality. However, Middlesex shall not be responsible for any changes in the quality of the water resulting from the conditions, configuration or operation of the South Amboy distribution system and that occur after delivery to the Meter Stations.

Middlesex shall notify South Amboy immediately after any testing procedure reveals any deviations from the Regulations, or after it becomes aware of any instance of quality below the aforementioned Regulations. If service is discontinued because of an instance of quality less satisfactory than the said Regulations, South Amboy shall have the right to receive the Daily Minimum amount of water designated for the period of discontinuance at such later date as it so elects without incurring any increase in its minimum payment obligation.

15. Scheduling.

Middlesex shall have the right to temporarily modify its rate of delivery to manage its system requirements in accordance with accepted operating procedures, except that Middlesex shall not, under any circumstances, excepting emergencies, modify its rate of delivery such that the hydraulic gradient in the Service Connection (at the Meter Chamber) is less than the level agreed to herein, without the expressed written consent of South Amboy and only when appropriate alternative measures, acceptable to South Amboy, are made available to South Amboy. South Amboy shall give Middlesex reasonable advance notice of any anticipated departures from its then normal usage and Middlesex shall give South Amboy reasonable advance notice of any anticipated rate of delivery modification. The notices contemplated by this Article l5 and by Article l6 shall be made at the appropriate operating level.

16. Exceptions for Emergencies and Extraordinary Events.

The Daily Minimum payment obligation shall not be affected in the event that the amount of water supplied by Middlesex to South Amboy exceeds the daily or hourly limitations established herein for not more than 24 hours in case of fire or main break emergencies experienced by South Amboy and for not more than five days in the case of other catastrophes experienced by South Amboy requiring an emergency supply of water, provided Middlesex is notified as soon as reasonably possible after South Amboy becomes aware of said emergency or catastrophe.

If South Amboy requires additional supplies of water for not more than 24 hours due to circumstances which are not typical to the ordinary operations of a water system, it may request such supplies in advance from Middlesex. If Middlesex can reasonably deliver such supplies, and can do so without incurring penalties or demand charges, Middlesex shall provide such supplies to South Amboy and South Amboy shall not be obligated for an increase in its minimum payment obligation under Article 9.

17. Excused Performance.

Middlesex agrees to provide a continuous, regular and uninterrupted supply of water, with at least the pressure agreed upon herein, subject to delays in initiating service or interruptions in service by reasons of acts of God, accident, strike, legal process, State or municipal interference or other cause beyond its control, or failure, refusal, or delay on the part of any governmental or regulatory body having jurisdiction in issuing permits, approvals, authorizations, licenses, rights-of-way or the like. Middlesex shall not be liable for damages to South Amboy by reason of inadequate pressure or volume or quality or failure to provide water for any cause whatever provided same does not arise out of the negligence of Middlesex.

18. Limitation of the Right to Sue

It is envisioned under the terms of this contract, as described herein, that Middlesex shall provide South Amboy with proper quality water at proper pressure at the points where the water is introduced into South Amboy's transmission and distribution system. South Amboy also obtains water from at least one other source (i.e. City of Perth Amboy, at the time of execution of this contract), has or may have its own supplies, and also operates its own water distribution system. Therefore, South Amboy's right to bring actions against Middlesex for improper water and/or improper pressure shall be for such water quality and/or pressure as measured at the points where the Middlesex water enters the South Amboy system. South Amboy acknowledges that problems any of its citizens experience with water service ought not automatically to be ascribed to Middlesex.

The signatory parties understand that they are protected from each other's negligent, reckless, and intentional conduct, and that all damages permitted under law are available to each party.

The parties further understand that a limitation of possible damages between the parties is of great concern to Middlesex. Both parties agree to limit their aggregate liability to each other arising out of or in connection with this agreement to an amount equal to two (2) years' gross revenues required to be paid by South Amboy to Middlesex based upon the Daily Minimum (described previously herein) in effect at the time of the occurrence giving rise to the liability, and both parties expressly release the other from any additional liability in excess thereof.

These limitations between the parties are not intended to limit liability to third party non-signatories.

19. Representations

Middlesex represents and warrants to South Amboy that the execution and delivery of this Agreement by Middlesex have been duly authorized by all necessary corporate action, and no consent, approval, authorization or exemption of, or declaration, filing or registration with any governmental or regulatory authority or other person in connection with the execution and delivery of the Agreement is required on the part of Middlesex, except as provided in Article 20 hereof.

South Amboy represents and warrants to Middlesex that South Amboy has all requisite power and authority to execute and deliver this Agreement under the terms contained therein, and no consent, approval, authorization or exemption of, or declaration, filing or registration with, any governmental or regulatory authority or other person in connection with the execution and delivery of the Agreement is required on the part of South Amboy , except as provided in Article 20 hereof.

20. Regulatory Approvals.

This Agreement shall be filed with and subject to approval by the BPU and the DEP as may be required by law.

Middlesex shall expeditiously initiate any such filings and petition for any such approvals. The Agreement shall also be filed with and subject to approval by the New Jersey Department of Community Affairs as may be required by law. South Amboy shall expeditiously initiate such filing and petition for such approval. Both parties agree to cooperate and act in good faith in connection with obtaining these and any other regulatory authorizations.

21. Miscellaneous.

To the extent not inconsistent with this Agreement all other provisions of Middlesex's tariff shall be deemed to govern service hereunder.

In the event it is determined by a Court having jurisdiction that contractually the City of Perth Amboy shall be the sole purveyor of water to the City of South Amboy, then the City of South Amboy may cancel this contract without penalty, except as provided in Section 4 hereof with respect to reimbursement to Middlesex in the event of termination of this Agreement.

This Agreement shall be governed by and interpreted in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first written above.

MIDDLESEX WATER COMPANY

ATTEST:

By: /s/ J. RICHARD TOMPKINS/

(J. Richard Tompkins)
Chairman of the Board and President

/s/ MARION F. REYNOLDS/
- --------------------------------
(Marion F. Reynolds)
Vice President and Secretary

CITY OF SOUTH AMBOY

ATTEST:

By: /s/ JOHN T. O'LEARY/

(John T. O'Leary) Mayor
As Authorized by Resolution of
the Township Council

/s/ CHRISTINE CAPUTO/
- --------------------------------
(Christine Caputo) Clerk

==
MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Company's expenditures on property, plant and equipment during 1996 totaled $6.2 million and consisted of the following: $3.3 million for routine capital additions, which include transmission and distribution mains, hydrants, service lines, meters and general equipment; $0.9 million for the cleaning and lining of mains; $0.4 million for a main relocation in Port Reading, New Jersey; and $1.6 million for water system development in Delaware. These expenditures were financed by utilization of the December 31, 1995, cash balance, internally-generated funds from operations, the sale of common stock through the Dividend Reinvestment Plan and proceeds from a long-term secured note.

The Company has projected capital expenditures of $17.1 million, $21.8 million and $14.3 million, for 1997, 1998 and 1999, respectively. For 1997, $5.6 million is for routine capital expenditures; $6.4 million for the upgrade of the Carl J. Olsen Water Treatment Plant (CJO Plant); $1.9 million for treatment of well supplies; $2.3 million for water systems additions and improvements in Delaware; $0.2 million for the South River Basin regional supply; and $0.7 million for miscellaneous items. For 1998 and 1999 combined, $12.0 million is for routine capital expenditures; $20.5 million for the CJO Plant upgrade; $1.3 million for water system development in Delaware; $1.3 million for treatment of well supplies; $0.5 million for the South River Basin regional supply; and $0.5 million for miscellaneous items.

Sources of Capital - To finance the Capital Program, the Company will utilize internally-generated cash and external financing. The Company will initially rely upon short-term borrowings through lines of credit established with three financial institutions. There is $20 million available under these commitments. It is expected that there will be several debt and equity financings over the three-year period. The amount, type and timing of the financings will be based upon the construction schedule, regulatory rate relief and financial market conditions.

RESULTS OF OPERATIONS
1996 COMPARED TO 1995

Consolidated operating revenues in 1996 were $0.2 million higher than in 1995. Consumption was lower in all major classes of customers. These decreases were offset by additional fixed service charges as a result of an increased customer base in Delaware of 12.5% and the inclusion of revenues from the Pinelands Companies and Utility Service Affiliates for a full year in 1996.

Operations and maintenance expenses were $0.9 million or 4.8% higher in 1996 over 1995 due principally to increases in purchased water of $0.3 million; water treatment of $0.3 million; pumping expenses of $0.2 million; and customer accounts and administrative and general expenses of $0.3 million; offset by a decrease in transmission and distribution expenses of $0.2 million.

Depreciation increased $0.1 million or 4.1% due to a higher depreciation base. Federal income taxes decreased $0.5 million due to lower taxable income. Interest expenses increased $0.2 million or 5.3% as a result of the long-term borrowings by Tidewater.

As a result, net income decreased $0.5 million or 9.4%.

RESULTS OF OPERATIONS
1995 COMPARED TO 1994

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

Operations and maintenance expenses increased by $1.0 million or 5.9% over 1994. Of this increase, $0.4 million relates to the inclusion of the Pinelands Companies. Additionally, there were increases in water treatment of $0.3 million; pumping expenses of $0.2 million; transmission and distribution expenses of $0.2 million and administrative and general expenses of $0.1 million; which were offset by a decrease in purchased water of $0.2 million.

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

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

REGULATORY MATTERS

On November 27, 1996, Middlesex filed a petition with the New Jersey Board of Public Utilities (BPU) for a base rate increase of $5.8 million or 16.8%. Included in the petition are the following: Deferred charges of $0.7 million which the Company is seeking to recover in rates by amortizing these costs over periods of two to ten years; projected construction work in progress expenditures of $7.0 million associated with the upgrade of the Carl J. Olsen Water Treatment Plant, which is necessary to comply with new and anticipated environmental laws and regulations and to expand the plant's production capacity; and $1.2 million for the recovery of postretirement benefit costs other than pension which are mandated by the Company's compliance with Statement of Financial Accounting Standards (SFAS No. 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions." A decision in this matter is expected some time in 1997. The last increase in base rates granted by the BPU was $2.8 million or 9.33% in April 1993.

On December 19, 1996, the BPU approved the Company's request to transfer its Robinson's Branch Reservoir to the Township of Clark and to transfer a conservation easement on the property to the New Jersey Conservation Foundation. Although the reservoir has not been used as a water supply since approximately 1970, the Company intends to retain its water diversion rights for possible future

use. Under the terms of the transaction, the municipality is to assume the obligation to make certain improvements to the reservoir's dam required under the New Jersey Dam Safety Act.

On October 9, 1996, Middlesex received approval from the BPU for a Purchased Water Adjustment Clause (PWAC) rate increase pertaining to $0.2 million of increased purchase water costs. A PWAC, which was first implemented by Middlesex in 1994, is subject to an annual reconciliation of actual costs incurred with amounts recovered under a PWAC rate.

On January 23, 1997, the BPU approved a stipulation agreed to by the parties to the Pinelands Water and Wastewater Companies' rate cases which were filed in February 1996. The stipulations allow for a combined rate increase which will result in $0.4 million additional revenues. The new rates will be phased in over a three-year period to minimize the impact on customers. Previously, in April 1995, the BPU approved the $2.3 million asset purchase by the Pinelands Companies of a 2,200 customer water utility and a 2,200 customer wastewater utility located in Burlington County, New Jersey. The transaction was financed by a combination of cash on hand and promissory notes, which have since been extinguished.

ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Effective January 1, 1996, the Company adopted SFAS No. 121 with no effect on its results of operations or cash flows.

The FASB also issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 establishes financial accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. The Statement provides an entity the option to either adopt the new method or to continue to measure compensation cost as prescribed by Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and provide proforma disclosures of the effect of adopting SFAS 123. The Company has elected to continue its current accounting treatment for stock compensation under APB 25.

OUTLOOK

Revenues and earnings for 1997 are projected to increase based on anticipated customer growth in the Delaware service territory, recently approved rate relief for the Pinelands Companies, and increased contract service revenues. Fair and timely rate relief from the Middlesex base rate increase request should also provide the opportunity to improve revenues.

Currently, there are no plans by Tidewater to file for a rate increase in Delaware. The last rate increase granted to Tidewater was in October 1991. Average annual customer growth of 20% since that time has made it possible for Tidewater to sustain earnings under the existing rate structure.

Middlesex will continue to be active in the evolving water industry. Growth opportunities in both the regulated and non-regulated sectors that are financially sound, complement the existing operations and increase shareholder value will be pursued by Middlesex.

Certain matters discussed in this annual report are "forward-looking statements" intended to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such statements address future plans, objectives, expectations and events concerning various matters such as capital expenditures, earnings, litigation, growth potential, rate and other regulatory matters, liquidity and capital resources, and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

REPORT OF MANAGEMENT

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

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

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

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

/s/ J. Richard Tompkins	/s/ A. Bruce O'Connor
Chairman of the Board	Vice President and
and President	Controller

February 14, 1997

MIDDLESEX WATER COMPANY

CONSOLIDATED BALANCE SHEETS

Assets

		DECEMBER 31, 1996	1995
UTILITY PLANT (NOTE 5):	Water Production	$ 27,378,668	$ 27,598,613
	Transmission and Distribution	103,852,969	97,359,802
	General	18,156,233	18,169,056
	Construction Work in Progress	319,238	1,207,538
	TOTAL	149,707,108	144,335,009
	Less Accumulated Depreciation	28,462,588	26,402,377
	UTILITY PLANT - NET	121,244,520	117,932,632
	NONUTILITY ASSETS - NET	1,774,106	1,737,596
CURRENT ASSETS:	Cash and Cash Equivalents	4,262,862	4,900,640
	Accounts Receivable	4,022,129	4,224,653
	Unbilled Revenues	2,175,478	2,170,143
	Materials and Supplies (at average cost)	1,034,572	1,030,801
	Prepayments and Other Current Assets	430,000	660,314
	TOTAL CURRENT ASSETS	11,925,041	12,986,551
DEFERRED CHARGES:	Unamortized Debt Expense	2,848,352	2,969,281
	Preliminary Survey and Investigation Charges	1,716,884	833,869
	Regulatory Assets:		
	Income Taxes (Note 3)	6,181,048	6,052,524
	Postretirement Costs (Note 4)	1,003,716	758,127
	Other (Note 2)	1,965,855	1,551,627
	TOTAL DEFERRED CHARGES	13,715,855	12,165,428
	TOTAL	$148,659,522	$144,822,207

See Notes to Consolidated Financial Statements.

Capitalization and Liabilities

		DECEMBER 31, 1996	1995
CAPITALIZATION (SEE ACCOMPANYING STATEMENTS AND NOTE 9):	Common Stock	$ 29,988,966	$ 28,820,844
	Retained Earnings	19,226,847	18,822,817
	TOTAL COMMON EQUITY	49,215,813	47,643,661
	Cumulative Preferred Stock	2,666,305	2,666,305
	Long-term Debt	52,960,953	52,960,000
	TOTAL CAPITALIZATION	104,843,071	103,269,966
CURRENT LIABILITIES:	Current Portion of Long-term Debt	39,047	240,000
	Accounts Payable	1,686,652	1,521,515
	Customer Deposits	377,702	348,631
	Taxes Accrued	4,529,185	4,321,919
	Interest Accrued	1,168,242	1,216,851
	Other	2,125,683	1,161,630
	TOTAL CURRENT LIABILITIES	9,926,511	8,810,546
COMMITMENTS AND CONTINGENT LIABILITIES (NOTE 5)			
DEFERRED CREDITS:	Customer Advances for Construction	8,977,081	9,207,565
	Accumulated Deferred Investment Tax Credits (Note 3)	2,308,736	2,380,416
	Accumulated Deferred Federal Income Taxes (Note 3)	12,088,144	11,147,627
	Other	1,715,458	1,985,654
	TOTAL DEFERRED CREDITS	25,089,419	24,721,262
	CONTRIBUTIONS IN AID OF CONSTRUCTION	8,800,521	8,020,433
	TOTAL	$148,659,522	$144,822,207

See Notes to Consolidated Financial Statements.

Middlesex Water Company
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31, 1996	1995	1994
OPERATING REVENUES (Note 2)	$38,024,669	$37,846,899	$36,122,475
OPERATING EXPENSES:			
Operations:			
Water Purchased (Note 5)	2,965,616	2,656,423	2,769,265
Other	14,284,315	13,573,581	12,592,008
Maintenance	1,527,842	1,686,051	1,549,970
Depreciation	2,929,106	2,813,927	2,649,657
Taxes, other than Income Taxes	5,569,047	5,479,299	5,343,563
Federal Income Taxes (Note 3)	2,526,297	2,975,227	2,766,361
TOTAL OPERATING EXPENSES	29,802,223	29,184,508	27,670,824
OPERATING INCOME	8,222,446	8,662,391	8,451,651
OTHER INCOME:			
Allowance for Funds Used During Construction - Equity	39,891	21,654	--
Other - Net	185,277	134,461	87,418
TOTAL OTHER INCOME	225,168	156,115	87,418
INCOME BEFORE INTEREST CHARGES	8,447,614	8,818,506	8,539,069
INTEREST CHARGES:			
Interest on Long-term Debt	3,166,786	2,981,258	2,882,731
Allowance for Funds Used During Construction - Debt	(23,723)	(5,606)	--
Amortization of Debt Expense	120,930	121,138	118,657
Other Interest Expense	16,161	17,972	42,309
TOTAL INTEREST CHARGES	3,280,154	3,114,762	3,043,697
NET INCOME	5,167,460	5,703,744	5,495,372
PREFERRED STOCK DIVIDEND REQUIREMENTS	158,926	158,932	188,357
EARNINGS APPLICABLE TO COMMON STOCK	$ 5,008,534	$5,544,812	$5,307,015
EARNINGS AND DIVIDENDS PER SHARE OF COMMON STOCK:			
Earnings	$ 1.20	$ 1.36	$ 1.33
Dividends Paid	$ 1.10 1/2	$ 1.08 1/2	$ 1.05 3/4
Average Number of Shares Outstanding	4,169,334	4,078,890	4,003,393

See Notes to Consolidated Financial Statements.

Middlesex Water Company
CONSOLIDATED STATEMENTS OF CAPITAL STOCK
AND LONG-TERM DEBT

	DECEMBER 31, 1996	1995
Common Stock, No Par Value (Notes 4 and 9):		
Shares Authorized - 6,000,000		
Shares Outstanding -1996 - 4,204,949	$30,281,565	
1995 - 4,136,972		$29,110,095
Restricted Stock Plan	(292,599)	(289,251)
TOTAL COMMON STOCK	$29,988,966	$28,820,844
Cumulative Preference Stock, No Par Value:		
Shares Authorized - 100,000		
Shares Outstanding - None		
Cumulative Preferred Stock, No Par Value (Note 9):		
Shares Authorized - 69,418		
Convertible:		
Shares Outstanding, $7.00 Series - 14,901	$ 1,564,605	$ 1,564,605
Nonredeemable:		
Shares Outstanding, $7.00 Series - 1,017	101,700	101,700
Shares Outstanding, $4.75 Series - 10,000	1,000,000	1,000,000
TOTAL CUMULATIVE PREFERRED STOCK	$ 2,666,305	$ 2,666,305
Long-term Debt (Note 9):		
8.05%, Amortizing Secured Note, due December 20, 2021	$ 3,500,000	$ 2,500,000
7.00%, Promissory Notes, due April 21, 2000	--	1,200,000
First Mortgage Bonds:		
7.25%, Series R, due July 1, 2021	6,000,000	6,000,000
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
SUBTOTAL LONG-TERM DEBT	$53,000,000	$53,200,000
Less: Current Portion of Long-term Debt	(39,047)	(240,000)
TOTAL LONG-TERM DEBT	$52,960,953	$52,960,000

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME	$ 5,167,460	$ 5,703,744	$ 5,495,372
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	3,011,337	2,925,928	2,961,727
Provision for Deferred Income Taxes	811,993	278,384	639,381
Allowance for Funds Used During Construction	(63,614)	(27,260)	--
Changes in Current Assets and Liabilities:			
Accounts Receivable	202,524	12,147	(694,293)
Materials and Supplies	(3,771)	(36,907)	(24,109)
Accounts Payable	165,137	(95,430)	144,923
Accrued Income Taxes	207,266	(122,453)	77,450
Accrued Interest	(48,609)	82,628	191,728
Unbilled Revenues	(5,335)	(26,348)	102,820
Other - Net	812,337	227,334	(53,483)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,256,725	8,921,767	8,841,516
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures*	(6,172,482)	(8,990,408)	(5,979,113)
Notes Receivable	--	(1,250,000)	--
Preliminary Survey & Investigation Charges	(883,015)	(180,541)	11,819
Marketable Securities	--	931,750	(933,298)
Other - Net	(657,958)	(93,919)	(345,778)
NET CASH USED IN INVESTING ACTIVITIES	(7,713,455)	(9,583,118)	(7,246,370)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	(1,200,000)	--	(12,500,000)
Proceeds from Issuance of Long-term Debt	1,000,000	3,700,000	25,000,000
Temporary Cash Investments - Restricted	64,907	212,362	2,633,653
Proceeds from Issuance of Common Stock - Net	1,168,122	1,669,171	928,459
Deferred Debt Issuance Expenses	(251)	(53,719)	(1,167,605)
Payment of Preferred Dividends	(158,926)	(158,497)	(180,006)
Payment of Common Dividends	(4,604,504)	(4,421,852)	(4,231,410)
Construction Advances and Contributions - Net	549,604	884,140	878,204
Redemption of Preferred Stock	--	(123,800)	(1,248,500)
Short-term Bank (Repayments)	--	--	(9,000,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(3,181,048)	1,707,805	1,112,795
NET CHANGES IN CASH AND CASH EQUIVALENTS	(637,778)	1,046,454	2,707,941
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,900,640	3,854,186	1,146,245
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,262,862	$ 4,900,640	$ 3,854,186

*Excludes Allowance for Funds Used During Construction.

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:
Cash Paid During the Year for:

Interest (net of amounts capitalized)	$ 3,116,338	$ 2,877,483	$ 2,722,327
Income Taxes	$ 2,117,998	$ 3,078,000	$ 2,453,936

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	YEARS ENDED DECEMBER 31, 1996	1995	1994
BALANCE AT BEGINNING OF YEAR	$18,822,817	$17,699,422	$16,615,466
NET INCOME	5,167,460	5,703,744	5,495,372
TOTAL	23,990,277	23,403,166	22,110,838
CASH DIVIDENDS:			
Cumulative Preferred Stock	158,926	158,497	180,006
Common Stock	4,604,504	4,421,852	4,231,410
TOTAL DEDUCTIONS	4,763,430	4,580,349	4,411,416
BALANCE AT END OF YEAR	$19,226,847	$18,822,817	$17,699,422

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(c) Utility Plant - Utility Plant is stated at original cost as defined for regulatory purposes. Property accounts are charged with the cost of betterments and major replacements of property. Cost includes direct material, labor and indirect charges for pension benefits and payroll taxes. Middlesex and Tidewater capitalize an Allowance for Funds Used During Construction on individual projects with costs exceeding specific thresholds for each company. Depreciation is computed by each regulated member of the Consolidated Group utilizing a rate approved by the applicable regulatory authority. The Accumulated Provision for Depreciation is charged with the cost of property retired, together with removal costs, less salvage. The cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties is charged to the appropriate expense accounts. On January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." At December 31, 1996, there was no event or change in circumstance that would indicate that the carrying amount of any long-lived asset was not recoverable. Under the current regulatory environment, the Company does not expect SFAS No. 121 to have a significant impact on their results of operations or cash flows.

(d) Accounts Receivable - Provision for allowance for doubtful accounts at December 31, 1996, 1995 and 1994, and the corresponding expense and deduction for those years, is each less than $0.1 million.

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

(f) Deferred Charges - Unamortized Debt Expense is amortized over the lives of the related issues. As authorized by the BPU, main cleaning and lining costs are being amortized over a 14-year period.

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

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

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

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

NOTE 2 - RATES AND REVENUES

On November 27, 1996, Middlesex filed a petition with the BPU for a base rate increase of $5.8 million or 16.8%. Included in the petition are the following: Deferred charges of $0.7 million which the Company is seeking to recover in rates by amortizing these costs over periods of two to ten years; projected construction work in progress expenditures of $7.0 million associated with the upgrade of the Carl J. Olsen Water Treatment Plant, which is necessary to comply with new and anticipated environmental laws and regulations and to expand the plant's production capacity; and $1.2 million for the recovery of postretirement costs other than pension expenses which are mandated by the Company's compliance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." A decision in this matter is expected some time in 1997. The last increase in base rates granted by the BPU was $2.8 million or 9.33% in April 1993.

On December 19, 1996, the BPU approved the Company's request to transfer its Robinsons Branch Reservoir to the Township of Clark and to transfer a conservation easement on the property to the New Jersey Conservation Foundation. Although the reservoir has not been used as a water supply since approximately 1970, the Company intends to retain its water diversion rights for possible future use. Under the terms of the transaction, the municipality is to assume the obligation to make certain improvements to the reservoir's dam required under the New Jersey Dam Safety Act.

On October 9, 1996, Middlesex received approval from the BPU for a Purchased Water Adjustment Clause (PWAC) rate increase pertaining to $0.2 million of increased purchase water costs. A PWAC is a regulatory vehicle that allows New Jersey water utilities to pass along to customers changes in the cost of purchasing water, without the need for filing a full base rate case. A PWAC, which was first implemented by Middlesex in 1994, is subject to an annual reconciliation of actual costs incurred to amounts recovered under a PWAC rate.

On January 23, 1997, the BPU approved a stipulation agreed to by the parties to the Pinelands Water and Wastewater Companies' rate cases which were filed on February 21, 1996. The stipulations allow for a combined rate increase which will result in $0.4 million additional revenues. The new rates will be phased in over a three-year period to minimize the impact on customers. Previously, in April 1995, the BPU approved the $2.3 million asset purchase by the Pinelands Companies of a 2,200 customer water utility and a 2,200 customer wastewater utility located in Burlington County, New Jersey. The transaction was financed by a combination of cash on hand and promissory notes, which have since been extinguished.

Included in Deferred Charges-Other is $0.1 million of deferred costs at December 31, 1996, which Middlesex is recovering through rates over a period of 14 years. The BPU has excluded these costs from rate base and, therefore, Middlesex is not earning a return on the unamortized costs during the recovery period.

NOTE 3 - INCOME TAXES

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

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS) 1996	1995	1994
Income Tax at Statutory Rate of 34%	$ 2,616	$ 2,951	$ 2,809
Tax Effect of:			
Allowance for Funds Used During Construction	(22)	(9)	--
Other	(68)	33	(43)
Total Federal Income Tax Expense	$ 2,526	$ 2,975	$ 2,766
Federal income tax expense is comprised of the following:			
Current	$ 1,835	$ 2,726	$ 2,219
Deferred:			
Customer Advances	35	(265)	(123)

Accelerated Depreciation	760	637	617
Revenue Taxes	--	(6)	(403)
Bond Redemptions	(16)	(16)	477
Investment Tax Credit	(72)	(72)	(72)
Other	(16)	(29)	51
Total Federal Income Tax Expense	$ 2,526	$ 2,975	$ 2,766

The statutory review period for income tax returns for the years prior to 1993 has been closed.

Under SFAS No. 109, "Accounting for Income Taxes," the Company is required to set up deferred income taxes for all temporary differences regardless of the regulatory ratemaking treatment. However, if it is probable that these additional taxes will be passed on to ratepayers, an offsetting regulatory asset or liability is to be recorded. Management believes that it is probable that the consolidated deferred income tax liability of approximately $6.2 million will be recovered in future rates. Therefore, a regulatory asset has been set up to offset the increased liability.

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) 1996	1995
Utility Plant Related	$16,278	$15,180
Customer Advances	(3,920)	(3,856)
Other	(270)	(176)
Total Deferred Tax Liability	$12,088	$11,148

NOTE 4 - 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. The Company makes annual contributions to the plan consistent with the funding requirements of Federal laws and regulations.In 1996, employees of Tidewater became eligible to participate in the Plan.

Pension expense for 1996, 1995 and 1994 was $292,000, $372,000 and $218,000, respectively.

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

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS) 1996	1995
Actuarial present value of plan benefits:		
Vested benefits	$(8,791)	$(8,172)
Nonvested benefits	(42)	(31)
Impact of estimated future compensation charges	(2,921)	(2,964)
Projected plan benefits	(11,754)	(11,167)
Plan assets at fair value	12,831	11,705
Plan assets in excess of projected plan benefits	1,077	538
Unrecognized net obligation	72	86
Unrecognized prior service cost	120	--
Unrecognized net gain	(1,346)	(701)
Accrued pension cost recognized in the balance sheet	$ (77)	$ (77)
Net pension cost includes the following components:		
Service cost benefits earned during the period	$ 408	$ 344
Interest cost on projected benefit obligation	787	763
Return on plan assets	(924)	(749)
Net amortization and deferral	21	14
Net pension cost	$ 292	$ 372

The assumptions used in determining the actuarial present value of the projected obligation at December 31, 1996 and 1995 was a discount rate of 7.25% and a compensation increase of 4.75%. The expected long-term rate of return on plan assets used in determining net periodic cost was 8.0%.

The Company maintains an unfunded supplemental pension plan for its executives. At December 31, 1996 and December 31, 1995, expenses for the supplemental plan were $293,000 and $250,000, and the projected benefit obligations were $1.4 million and $1.3 million, respectively.

Postretirement Benefits Other Than Pensions (PBOP)

Middlesex provides certain health care and life insurance benefits for substantially all of its retired employees, which are accounted for in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 requires an accrual method of accounting for PBOP. Previously, the cost of these benefits were expensed when incurred. During 1996, the Company determined that certain assumptions used to calculate the transition obligation when SFAS No. 106 was adopted needed to be revised. As a result, the transition obligation has been reduced, with no impact on earnings.

In accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," the Company has recognized a deferred regulatory asset relating to the difference between the accrued PBOP costs determined under SFAS No. 106 and the pay-as-you-go amounts previously expensed. The regulatory asset at December 31, 1996 and 1995 was $1.2 million and $0.9 million, respectively.

On January 8, 1997, the BPU approved an order that provides options for the recovery of PBOP costs. The Company is seeking recovery of PBOP costs through rates as part of its base rate case (see Note 2).

In 1996, 1995 and 1994, the Company recognized PBOP expenses of $192,000, $185,000 and $176,000, respectively. The plan's funded status is as follows:

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS)	
	1996	1995
Retirees	$1,149	$1,623
Fully eligible plan participants	354	776
Other active plan participants	1,543	758
Accumulated postretirement benefit obligation	3,046	3,157
Plan assets at fair value	--	--
Unrecognized net loss	(47)	(99)
Unrecognized prior service cost	169	--
Unrecognized transition obligation	(2,164)	(2,300)
Accrued postretirement benefit obligation	$1,004	$ 758

Net postretirement benefit cost consisted of the following components:

	YEARS ENDED DECEMBER 31, (THOUSANDS OF DOLLARS) 1996	1995
Service cost--benefits earned during the year	$ 101	$ 83
Interest cost on accumulated postretirement benefit obligation	211	212
Amortization of net (gain)/loss	2	(11)
Amortization of prior service cost	(11)	--
Amortization of transition obligation	135	135
Regulatory deferral	(246)	(234)
Net postretirement benefit cost	$ 192	$185

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation for 1996 was 5%, which will remain constant for all future years. A one-percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation by 14% and the 1996 net postretirement benefit cost by approximately 10%. The assumed discount rate used in determining the accumulated postretirement benefit obligation for 1996 and 1995 was 7.25%.

Stock Based Compensation

The Company maintains a restricted stock plan, under which 30,300 shares of the Company's common stock are held in escrow by the Company for key employees. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the grant other than as a result of retirement, death or disability.

The maximum number of shares authorized for grant under this plan is 60,000 shares. Compensation expense is determined by the market value of the stock on the date of the award and is being amortized over a five-year period. The compensation expenses for 1996, 1995 and 1994 were not considered material.

The Financial Accounting Standards Board (FASB) issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 provides an entity the option to either adopt the new method or to continue to measure compensation cost as prescribed by Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and provide proforma disclosures of the effect of adopting SFAS No. 123. The Company has elected to continue its current accounting treatment for stock compensation under APB 25. Had compensation costs for the Company's restricted stock plan been determined based on methodology prescribed in SFAS No. 123, there would have been no effect on its results of operations or cash flows.

NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES

Service Agreement - On May 19, 1995, Middlesex and USA jointly entered into a five-year contract with the City of South Amboy to operate and maintain the City's 2,600 customer water system. The Contract, which is subject to renewal for three future five-year periods, is expected to produce approximately $1.5 million in revenues for the first five years with only a minimal impact on earnings. In 1996, $0.3 million in revenues was recognized under the contract.

Water Supply - Middlesex has an agreement with the Elizabethtown Water Company for the purchase of treated water. This agreement, which expires December 31, 2005, provides for the minimum purchase of 3 million gallons daily (mgd) of treated water with provisions for additional purchases. The 1996, 1995 and 1994 costs under this agreement were $1.3 million, $0.9 million and $1.0 million, respectively.

Middlesex also has an agreement with the New Jersey Water Supply Authority (NJWSA), which expires November 1, 2013, and provides for the minimum purchase of 20 mgd of untreated water from the Delaware and Raritan Canal and the Raritan River. In addition, the Company has a supplemental one-year agreement for an additional 5 mgd through April 30, 1997. This agreement is renewable on an annual basis. The total costs for 1996, 1995 and 1994, were $1.7 million, $1.7 million and $1.8 million, respectively.

Construction - The Consolidated Group plans to spend approximately $17.1 million in 1997 on its construction program. Substantially all of the utility plant of the Group is subject to the lien of its mortgage which also includes certain restrictions as to cash dividend payments and other distributions on common stock.

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

NOTE 6 - LINES OF CREDIT AND NOTES PAYABLE

	(THOUSANDS OF DOLLARS) 1996	1995	1994
Established Lines of Credit at year-end	$20,000	$20,000	$15,500
Amounts Outstanding at December 31	--	--	--
Maximum Amount Outstanding	--	--	11,000
Average Outstanding Balance	--	--	1,769
Weighted Average Interest Rate	--	--	3.4%

Short-term borrowings are generally below the prime rate.

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

NOTE 7 - RELATED PARTY TRANSACTIONS

During 1996, 1995 and 1994, the Company had transactions with a construction company in which a Director has a financial interest. Major construction transactions were awarded on the basis of competitive bids approved by the Board of Directors (with the interested Director abstaining) and amounted to $0.9 million, $0.9 million and $0.6 million for the years 1996, 1995 and 1994, respectively. These amounts included $0.1 million due the construction company at December 31, 1996, 1995 and 1994.

NOTE 8 - QUARTERLY OPERATING RESULTS - UNAUDITED

Quarterly operating results for 1996 and 1995 are as follows:

1996	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	YEAR
	(THOUSANDS OF DOLLARS EXCEPT PER SHARE DATA)				
Operating Revenues	$9,247	$9,632	$ 9,934	$9,212	$38,025
Operating Income	1,968	2,110	2,288	1,856	8,222
Net Income	1,153	1,307	1,494	1,213	5,167
Earnings per Common Share	$ 0.27	$ 0.30	$ 0.35	$ 0.28	$ 1.20

1995					
Operating Revenues	$8,740	$9,608	$10,447	$9,052	$37,847
Operating Income	1,970	2,285	2,788	1,619	8,662
Net Income	1,213	1,507	1,922	1,062	5,704
Earnings per Common Share	$ 0.29	$ 0.36	$ 0.46	$ 0.25	$ 1.36

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

NOTE 9 - CAPITALIZATION

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

Common Stock

There are 900,000 shares of common stock authorized under the Dividend Reinvestment and Common Stock Purchase Plan (DRP). The cumulative number of shares issued under the DRP at December 31, 1996 is 688,793.

During 1996, 1995 and 1994, 67,977 shares ($1.2 million), 106,138 shares ($1.7 million) and 51,447 shares ($0.9 million) of common stock were issued under DRP and the restricted stock plan, respectively.

In the event dividends on the preferred stock are in arrears, no dividends may be declared or paid on the common stock of the Company. At December 31, 1996, no restrictions were placed on common dividends.

Preferred Stock

If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock. At December 31, 1996, no dividends were in arrears.

The conversion feature of the no par $7.00 Cumulative and Convertible Preferred Stock, which is effective in 1997, allows the security holders to exchange one convertible preferred share for six shares of the Company's common stock. In addition, the Company may redeem up to 10% of the outstanding convertible stock in any calendar year at a price equal to the fair market value of six shares of the Company's common stock for each share of convertible stock redeemed.

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

Long-term Debt

On September 13, 1995, Tidewater received approval from the Delaware PSC to borrow up to $3.5 million through an amortizing secured term bank loan. The terms of the loan agreement provide for a maximum term of twenty five years from the conclusion of the drawdown period with the interest rate fixed on the date of any advance by the bank. In October 1995, Tidewater received an initial $2.5 million at a rate of 8.02%. In the fourth quarter of 1996, the remaining $1.0 million was borrowed resulting in an overall interest rate of 8.05% on the total amount borrowed. Monthly principal payments began in January 1997 with the final payment due in December 2021. The proceeds of the loan were used to fund capital expenditures.

As part of the asset purchase by the Pinelands Companies, promissory notes of $1.2 million were issued. On November 21, 1996, the Company purchased, at a nominal discount, and retired the promissory notes. The purchase was funded with internally generated cash.

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. At December 31, 1996 and 1995, the carrying and fair market value of the Company's Bonds were as follows:

	(THOUSANDS OF DOLLARS) 1996		1995	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
First Mortgage Bonds	$49,500	$46,900	$49,500	$48,400

For other long-term debt for which there were no quoted market price, it was not practicable to estimate their fair value. The carrying amounts of these instruments at December 31, 1996 and 1995 were $3.5 million. Customer advances for construction have a carrying value of $9.0 million and $9.2 million at December 31, 1996 and 1995, 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.

Independent Auditors' Report

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 its subsidiaries as of December 31, 1996 and 1995 and the related consolidated statements of income, retained earnings and of cash flows for each of the three years in the period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Middlesex Water Company and its subsidiaries at December 31, 1996 and 1995 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP
Parsippany, New Jersey
February 14, 1997

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

	1996	1995	1994	1993	1992	1991	1986
OPERATING REVENUES	$ 38,025	$ 37,847	$ 36,122	$ 35,479	$ 30,861	$ 29,853	$ 22,010
OPERATING EXPENSES:							
Operations and Maintenance	18,778	17,916	16,911	16,753	14,715	13,454	9,849
Depreciation	2,929	2,814	2,650	2,376	1,961	1,834	1,043
Taxes, other than Income Taxes	5,569	5,479	5,343	5,222	4,620	5,132	3,429
Income Taxes	2,526	2,975	2,766	3,072	2,351	2,377	2,519
TOTAL OPERATING EXPENSES	29,802	29,184	27,670	27,423	23,647	22,797	16,840
OPERATING INCOME	8,223	8,663	8,452	8,056	7,214	7,056	5,170
OTHER INCOME	225	156	87	438	515	205	198
INCOME BEFORE INTEREST CHARGES	8,448	8,819	8,539	8,494	7,729	7,261	5,368
INTEREST CHARGES	3,280	3,115	3,044	3,014	3,267	3,156	2,174
NET INCOME	5,168	5,704	5,495	5,480	4,462	4,105	3,194
PREFERRED STOCK DIVIDEND REQUIREMENTS	159	159	188	256	186	161	185
EARNINGS APPLICABLE TO COMMON STOCK	$ 5,009	$ 5,545	$ 5,307	$ 5,224	$ 4,276	$ 3,944	$ 3,009
EARNINGS PER SHARE OF COMMON STOCK	$ 1.20	$ 1.36	$ 1.33	$ 1.33	$ 1.20	$ 1.14	$ 1.01
Average Number of Shares Outstanding for the Year	4,169,334	4,078,890	4,003,393	3,924,363	3,568,499	3,477,406	2,974,602
Dividends Declared and Paid	$ 1.10 1/2	$ 1.08 1/2	$ 1.05 3/4	$ 1.01 1/4	$ 0.97	$ 0.94 1/2	$ 0.80
Total Assets	$ 148,660	$ 144,822	$ 132,413	$ 125,676	$ 113,843	$ 100,014	$ 73,937
Redeemable Preferred Stock	$ --	$ --	$ --	$ 1,158	$ 1,224	$ 1,290	$ 1,620
Long-term Debt	$ 52,961	$ 52,960	$ 49,500	$ 37,000	$ 42,550	$ 45,350	$ 29,350

STATISTICAL SUMMARY

	1996	1995	1994	1993	1992	1991	1986
REVENUES (Thousands of Dollars):							
Residential	$ 15,091	$ 15,202	$ 14,306	$ 14,042	$ 11,733	$ 11,624	$ 9,959
Commercial	4,347	4,393	4,282	4,170	3,616	3,549	2,700
Industrial	6,621	6,669	6,598	6,481	6,044	5,768	5,030
Fire Protection	4,637	4,543	4,352	4,312	3,905	3,772	3,017
Contract Sales	6,778	6,658	6,322	6,232	5,477	5,098	1,223
Other	551	382	262	242	86	42	81
TOTAL REVENUES	$ 38,025	$ 37,847	$ 36,122	$ 35,479	$ 30,861	$ 29,853	$ 22,010
CAPITALIZATION RATIOS:							
Long-term Debt	51%	51%	51%	50%	49%	56%	51%
Preferred Stock	3	3	3	4	5	3	5
Common Stock Equity	46	46	46	46	46	41	44
TOTAL RATIOS	100%	100%	100%	100%	100%	100%	100%
Book Value of Common Stock	$ 11.70	$ 11.52	$ 11.13	$ 10.77	$ 10.29	$ 9.44	$ 8.45
Meters in Service	63,775	61,332	58,371	57,318	56,340	52,356	50,798
Population Served (Retail)	255,000	245,000	233,000	229,000	225,000	209,000	203,000
Miles of Main	1,067	1,035	972	947	920	654	634
Fire Hydrants	4,750	4,690	4,558	4,503	4,445	4,024	3,877
Pumpage (million gallons)	16,791	17,380	16,794	16,789	15,174	14,572	11,367

EXHIBIT 23

Independent Auditors' Consent

We consent to the incorporation by reference in Registration Statement No. 33-11717 of Middlesex Water Company on Form S-3 of our report dated February 14, 1997, incorporated by reference in this Annual Report on Form 10-K of Middlesex Water Company and its subsidiaries for the year ended December 31, 1996.

/s/ DELOITTE & TOUCHE LLP

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DELOITTE & TOUCHE LLP
Parsippany, New Jersey
March 27, 1997

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MIDDLESEX WATER COMPANY

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DEC-31-1996
DEC-31-1996
PER-BOOK
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11,925,041
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1.20