

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: March 31, 2001

Commission File No. 0-422

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

INCORPORATED IN NEW JERSEY

22-1114430

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1500 RONSON ROAD, ISELIN, NJ

08830

(Address of principal executive offices)

(Zip Code)

(732) 634-1500

(Registrant's telephone number, including area code)

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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that this registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 30 days.

YES X . NO .
----- -----

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

Class -----	Outstanding at March 31, 2001 -----
Common Stock, No Par Value	5,057,359

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MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2001 ----	2000 ----	2001 ----	2000 ----
Operating Revenues	\$ 13,143,898	\$ 12,981,089	\$54,639,352	\$54,798,349
Operating Expenses				
Operations	7,022,231	6,922,269	27,813,186	26,983,158
Maintenance	622,369	678,665	2,498,941	2,656,847
Depreciation	1,249,845	1,146,133	4,804,646	4,169,908
Other Taxes	1,702,997	1,668,390	6,966,568	7,009,646
Federal Income Taxes	474,936	514,369	2,597,625	3,208,064
Total Operating Expenses	11,072,378	10,929,826	44,680,966	44,027,623
Operating Income	2,071,520	2,051,263	9,958,386	10,770,726
Other Income:				
Allowance for Funds Used During Construction	15,905	17,176	133,890	880,970
Other - Net	71,159	37,355	262,596	385,368
Total Other Income	87,064	54,531	396,486	1,266,338
Income Before Interest Charges	2,158,584	2,105,794	10,354,872	12,037,064
Interest Charges	1,274,934	1,199,678	5,072,278	4,743,116
Net Income	883,650	906,116	5,282,594	7,293,948
Preferred Stock Dividend Requirements	63,697	63,697	254,786	284,786
Earnings Applicable to Common Stock:	\$819,953	\$842,419	\$5,027,808	\$7,009,162
Earnings per share of Common Stock:				
Basic	\$ 0.16	\$ 0.17	\$ 1.00	\$ 1.42
Diluted	\$ 0.16	\$ 0.17	\$ 1.00	\$ 1.40
Average Number of Common Shares Outstanding :				
Basic	5,052,598	5,005,354	5,033,843	4,952,521
Diluted	5,224,168	5,176,924	5,205,413	5,160,156
Cash Dividends Paid per Common Share	\$0.31	\$0.30 1/2	\$1.23	\$1.20

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	March 31, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
UTILITY PLANT:		
Water Production	\$ 69,538,943	\$ 69,363,626
Transmission and Distribution	137,145,921	136,545,596
General	20,222,237	20,189,182
Construction Work in Progress	1,305,440	1,036,498
	-----	-----
TOTAL	228,212,541	227,134,902
Less Accumulated Depreciation	39,905,241	38,856,591
	-----	-----
UTILITY PLANT-NET	188,307,300	188,278,311
	-----	-----
NONUTILITY ASSETS-NET	2,947,374	2,918,133
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	3,183,582	2,497,154
Temporary Cash Investments-Restricted	2,602,450	2,819,661
Accounts Receivable (net of allowance for doubtful accounts)	5,613,359	5,282,796
Unbilled Revenues	2,640,010	2,969,043
Materials and Supplies (at average cost)	1,035,584	1,009,956
Prepayments and Other Current Assets	554,637	694,111
	-----	-----
TOTAL CURRENT ASSETS	15,629,622	15,272,721
	-----	-----
DEFERRED CHARGES:		
Unamortized Debt Expense	2,915,319	2,950,276
Preliminary Survey and Investigation Charges	800,077	573,128
Regulatory Assets		
Income Taxes	6,012,748	6,012,748
Post Retirement Costs	1,020,124	1,041,676
Other	2,376,636	2,352,966
	-----	-----
TOTAL DEFERRED CHARGES	13,124,904	12,930,794
	-----	-----
TOTAL	\$ 220,009,200	\$ 219,399,959
	=====	=====

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	March 31, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
CAPITALIZATION (see accompanying statements)	\$156,324,168	\$156,807,552
	-----	-----
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	216,619	215,859
Notes Payable	7,025,000	6,050,000
Accounts Payable	1,888,314	2,438,664
Taxes Accrued	7,748,623	6,050,322
Interest Accrued	714,090	1,797,520
Other	1,216,685	1,454,276
	-----	-----
TOTAL CURRENT LIABILITIES	18,809,331	18,006,641
	-----	-----
DEFERRED CREDITS:		
Customer Advances for Construction	10,786,978	11,364,818
Accumulated Deferred Investment Tax Credits	1,991,379	2,011,033
Accumulated Deferred Federal Income Taxes	12,327,279	12,371,473
Employee Benefit Plans	4,887,525	4,658,364
Other	1,186,904	1,203,051
	-----	-----
TOTAL DEFERRED CREDITS	31,180,065	31,608,739
	-----	-----
CONTRIBUTIONS IN AID OF CONSTRUCTION	13,695,636	12,977,027
	-----	-----
TOTAL	\$220,009,200	\$219,399,959
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	March 31, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
CAPITALIZATION:		
Common Stock, No Par Value		
Shares Authorized, 10,000,000		
Shares Outstanding - 2001 - 5,057,359; 2000 - 5,048,534	\$49,163,164	\$48,838,486
Retained Earnings	21,050,948	21,796,707
	-----	-----
TOTAL COMMON EQUITY	70,214,112	70,635,193
	-----	-----
Cumulative Preference Stock, No Par Value		
Shares Authorized, 100,000; Shares Outstanding, None		
Cumulative Preferred Stock, No Par Value, Shares Authorized - 140,497		
Convertible:		
Shares Outstanding, \$7.00 Series - 14,881	1,562,505	1,562,505
Shares Outstanding, \$8.00 Series - 12,000	1,398,857	1,398,857
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1,017	101,700	101,700
Shares Outstanding, \$4.75 Series - 10,000	1,000,000	1,000,000
	-----	-----
TOTAL CUMULATIVE PREFERRED STOCK	4,063,062	4,063,062
	-----	-----
Long-term Debt:		
8.05% Amortizing Secured Note, due December 20, 2021	3,306,922	3,320,428
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
5.35%, Series W, due February 1, 2038	23,000,000	23,000,000
0.00%, Series X, due August 1, 2018	955,963	970,667
4.53%, Series Y, due August 1, 2018	1,095,000	1,095,000
0.00%, Series Z, due September 1, 2019	2,055,728	2,089,061
5.25%, Series AA, due September 1, 2019	2,350,000	2,350,000
	-----	-----
SUBTOTAL LONG-TERM DEBT	82,263,613	82,325,156
	-----	-----
Less: Current Portion of Long-term Debt	(216,619)	(215,859)
	-----	-----
TOTAL LONG-TERM DEBT	82,046,994	82,109,297
	-----	-----
TOTAL CAPITALIZATION	\$156,324,168	\$156,807,552
	=====	=====
	-----	-----
	(Unaudited)	
	-----	-----
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$21,796,707	\$22,895,844
Net Income	883,650	5,305,060
	-----	-----
TOTAL	22,680,357	28,200,904
	-----	-----
Cash Dividends:		
Cumulative Preferred Stock	63,697	254,786
Common Stock	1,565,712	6,149,411
	-----	-----
TOTAL DEDUCTIONS	1,629,409	6,404,197
	-----	-----
BALANCE AT END OF PERIOD	\$21,050,948	\$21,796,707
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2001 ----	2000 ----	Twelve Months Ended March 31, 2001 ----	2000 ----
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	\$ 883,650	\$ 906,116	\$ 5,282,594	\$ 7,293,948
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	1,326,079	1,238,674	5,032,106	4,599,816
Provision for Deferred Income Taxes	(44,195)	34,825	122,299	49,795
Allowance for Funds Used During Construction	(15,905)	(17,176)	(133,890)	(880,970)
Changes in Current Assets and Liabilities:				
Accounts Receivable	(330,564)	779,207	(423,022)	(680,993)
Accounts Payable	(550,351)	(1,458,405)	(45,716)	(1,248,585)
Accrued Taxes	1,698,302	1,797,181	592,705	301,644
Accrued Interest	(1,083,430)	(1,033,725)	(12,655)	37,490
Unbilled Revenues	329,033	(58,699)	46,552	(432,454)
Employee Benefit Plans	229,162	244,473	(13,523)	909,201
Other-Net	(128,281)	(218,834)	(352,024)	129,522
	-----	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,313,500	2,213,637	10,095,426	10,078,414
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Utility Plant Expenditures*	(1,283,172)	(2,660,153)	(12,262,310)	(19,734,380)
Note Receivable	(8,000)	(7,500)	(41,000)	2,785,727
Preliminary Survey and Investigation Charges	(226,949)	972	(328,762)	(158,047)
Other-Net	(75,658)	(131,016)	(799,333)	(15,423)
	-----	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(1,593,779)	(2,797,697)	(13,431,405)	(17,122,123)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Redemption of Long-term Debt	(61,542)	(27,559)	(240,340)	(88,000)
Proceeds from Issuance of Long-term Debt	-	-	-	4,500,000
Short-term Bank Borrowings	975,000	500,000	4,525,000	2,500,000
Deferred Debt Issuance Expenses	-	-	(41,617)	(21,161)
Temporary Cash Investments-Restricted	217,211	130,383	2,998,994	(1,140,189)
Proceeds from Issuance of Common Stock-Net	324,678	336,275	1,233,375	1,164,212
Payment of Common Dividends	(1,565,712)	(1,525,813)	(6,189,310)	(5,938,021)
Payment of Preferred Dividends	(63,697)	(63,697)	(254,786)	(284,787)
Construction Advances and Contributions-Net	140,769	(137,641)	690,585	1,561,098
	-----	-----	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	(33,293)	(788,052)	2,721,901	2,253,152
	-----	-----	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	686,428	(1,372,112)	(614,078)	(4,790,557)
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,497,154	5,169,772	3,797,660	8,588,217
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,183,582	\$ 3,797,660	\$ 3,183,582	\$ 3,797,660
	=====	=====	=====	=====

* Excludes Allowance for Funds Used During Construction

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash Paid During the Period for:

Interest (net of amounts capitalized)	\$ 2,311,016	\$ 2,166,191	\$ 4,787,960	\$ 3,658,981
Income Taxes	\$ 125,000	\$ 4,350	\$ 2,102,100	\$ 3,582,550

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Organization - Middlesex Water Company (Middlesex) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater), Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy) Inc. (USA-PA) and Bayview Water Company (See Note 2). White Marsh Environmental Systems, Inc. is a wholly-owned subsidiary of Tidewater. The financial statements for Middlesex and its wholly owned subsidiaries (the Company) are reported on a consolidated basis. All intercompany accounts and transactions have been eliminated.

The consolidated notes accompanying the 2000 Form 10-K are applicable to this report and, in the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 2001 and the results of operations and its cash flows for the periods ended March 31, 2001 and 2000. Information included in the Balance Sheet as of December 31, 2000, has been derived from the Company's audited financial statements included in its annual report on Form 10-K for the year ended December 31, 2000.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts. The adoption of this statement on January 1, 2001, had no impact on the financial statements.

Note 2 - Regulatory Matters

Base Rate Cases - On May 8, 2001, the New Jersey Board of Public Utilities (BPU) approved an 8.1% rate increase or approximately \$3.3 million. The decision was based upon a rate base of \$133.0 million and a Return on Equity of 10.5%. These components are expected to allow the Company the opportunity to earn a 7.95% rate of return on the allowed rate base.

Initial decisions in the two Pinelands cases were issued on May 8, 2001. The Administrative Law Judge adopted the BPU Staff's recommended rate increase positions. Each party's filed position in these cases is as follows:

	Company -----	Ratepayer Advocate -----	BPU Staff -----	Initial Decision -----
Pinelands Water	35.20%	18.15%	26.92%	26.92 %
Pinelands Wastewater	16.71%	4.22%	11.81%	11.81 %

If the BPU were to adopt the initial decision, the rate increase would result in additional annual revenues of \$0.2 million. The BPU has forty-five days from the initial decision date in which to act upon the rate increase petitions.

In rendering his decisions, the Administrative Law Judge utilized the following facts:

	Pinelands Water -----	Pinelands Wastewater -----
Rate Base	\$956,000	\$1,471,000
Return on Equity	10.5%	10.5%

Acquisitions - On April 10, 2001, Middlesex completed the purchase of the water utility assets and certain trade payables of Fortescue Realty Company. This transaction was effected with the creation of a wholly-owned subsidiary, Bayview Water Company. The first long-term objective for improving service to the 300 customers is to obtain low cost financing through the New Jersey State Revolving Fund (SRF) to replace the entire water distribution system. This plan calls for construction to begin in the fourth quarter of 2001. SRF financing is also expected to be in place by November 2001. Because of the system replacement, significant rate relief will be required. The Company is currently reviewing its timetable for filing for the necessary rate increase.

A public hearing and an evidentiary hearing are scheduled to be held on May 16 and May 17, 2001, respectively, in connection with the petition by Tidewater before the Delaware Public Service Commission (PSC) to acquire the 2,200 customer Sea Colony, LLC water system. The purpose of the evidentiary hearing is to provide a more fully developed record for the PSC to determine whether or not it can take action on this petition in light of language included in PSC Order No. 5592, which referenced failure to provide adequate or proper safe water services. That PSC Order pertained to the December 2000 base rate increase approved by the PSC. Tidewater believes that it has sufficient evidence to prevail in this matter and expects a decision by the end of June 2001.

Note 3 - Capitalization

Common Stock - During the three months ended March 31, 2001, 8,825 common shares (\$0.3 million) were issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan.

Note 4 - Earnings Per Share

Basic earnings per share (EPS) are computed on the basis of the weighted average number of shares outstanding. Diluted EPS assumes the conversion of both the Convertible Preferred Stock \$7.00 Series and the Convertible Preferred Stock \$8.00 Series.

	(In Thousands Except for per Share Amounts)							
	Three Months Ended Ended March 31				Twelve Months March 31			
Basic:	2001 Income	Shares	2000 Income	Shares	2001 Income	Shares	2000 Income	Shares
Net Income	\$ 884	5,052	\$ 906	5,005	\$ 5,283	5,034	\$ 7,294	4,953
Preferred Dividend	(64)		(64)		(255)		(285)	
Earnings Applicable to Common Stock	\$ 820	5,052	\$ 842	5,005	\$ 5,028	5,034	\$ 7,009	4,953
Basic EPS	\$ 0.16		\$ 0.17		\$ 1.00		\$ 1.42	
Diluted:								
Earnings Applicable to Common Stock	\$ 820	5,052	\$ 842	5,005	\$ 5,028	5,034	\$ 7,009	4,953
\$7.00 Series Dividend	26	89	26	89	104	89	104	89
\$8.00 Series Dividend	24	83	24	83	96	82	126	118
Adjusted Earnings Applicable to Common Stock	\$ 870	5,224	\$ 892	5,177	\$ 5,228	5,205	\$ 7,239	5,160
Diluted EPS	\$ 0.16		\$ 0.17		\$ 1.00		\$ 1.40	

Note 5 - Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. It also operates a regulated wastewater system in New Jersey. The Company is subject to regulations as to its rates, services and other matters by the States of New Jersey and Delaware with respect to utility service within these States. The other segment is the non-regulated contract services for the operation and maintenance of municipal water and wastewater systems in New Jersey. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements. Inter-segment transactions relating to operational costs are treated as pass through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender.

Operations by Segments:	(Thousands of Dollars)			
	Three Months Ended		Twelve Months Ended	
	2001	2000	2001	2000
Revenues:				
Regulated	\$ 11,410	\$ 11,291	\$ 47,752	\$ 47,419
Non - Regulated	1,743	1,699	6,923	7,415
Inter-segment Elimination	(9)	(9)	(36)	(36)
Consolidated Revenues	\$ 13,144	\$ 12,981	\$ 54,639	\$ 54,798
Operating Income:				
Regulated	\$ 2,020	\$ 1,969	\$ 9,576	\$ 9,900
Non - Regulated	52	82	382	871
Inter-segment Elimination	-	-	-	-
Consolidated Operating Income	\$ 2,072	\$ 2,051	\$ 9,958	\$ 10,771
Depreciation/Amortization:				
Regulated	\$ 1,236	\$ 1,134	\$ 4,748	\$ 4,139
Non - Regulated	14	12	57	31
Inter-segment Elimination	-	-	-	-
Consolidated Depreciation/Amortization	\$ 1,250	\$ 1,146	\$ 4,805	\$ 4,170
Other Income:				
Regulated	\$ 236	\$ 208	\$ 1,311	\$ 2,780
Non - Regulated	50	(3)	57	2
Inter-segment Elimination	(199)	(150)	(972)	(1,516)
Consolidated Other Income	\$ 87	\$ 55	\$ 396	\$ 1,266
Interest Expense:				
Regulated	\$ 1,482	\$ 1,337	\$ 5,790	\$ 5,206
Non - Regulated	14	21	49	175
Inter-segment Elimination	(221)	(159)	(767)	(638)
Consolidated Interest Expense	\$ 1,275	\$ 1,199	\$ 5,072	\$ 4,743
Net Income:				
Regulated	\$ 774	\$ 840	\$ 5,097	\$ 7,474
Non - Regulated	88	58	391	698
Inter-segment Elimination	22	8	(206)	(878)
Consolidated Net Income	\$ 884	\$ 906	\$ 5,282	\$ 7,294
Capital Expenditures:				
Regulated	\$ 1,249	\$ 2,190	\$ 12,124	\$ 19,255
Non - Regulated	34	470	138	479
Inter-segment Elimination	-	-	-	-
Total Capital Expenditures	\$ 1,283	\$ 2,660	\$ 12,262	\$ 19,734
	As of	As of		
	March 31,	December 31,		
	2001	2000		
Assets:				
Regulated	\$239,737	\$237,904		
Non - Regulated	3,040	3,034		
Inter-segment Elimination	(22,768)	(21,538)		
Consolidated Assets	\$220,009	\$219,400		

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations - Three Months Ended March 31, 2001

Operating revenues for the three months ended March 31, 2001 were up less than \$0.2 million or 1.25% from the same period in 2000. Half of the \$0.1 million in higher fees for connecting new customers in Delaware were offset by lower water service revenues. Service revenue fell as a result of the finalization of the rate structure approved in the most recent base rate case for Tidewater. Middlesex posted higher industrial sales of \$0.1 million compared to last year when one of its largest customers was offline for routine plant maintenance. Our unregulated subsidiaries, USA and USA-PA, showed modest increases in revenues. USA continues to market its water service line program and has signed up approximately two percent of Middlesex residential customer base. USA-PA earned additional fees in providing construction project administration for the City of Perth Amboy.

Offsetting the modestly higher revenues of \$0.2 million were correspondingly increased operating expenses of almost the same amount. Operations and maintenance expense variances differed within all functional categories, with no particular category being over or under last year by more than \$0.1 million. While chemical costs and employee wages and benefits rose in New Jersey and Delaware, legal fees, regulatory commission expenses, public relations and emergency repairs all fell in both New Jersey and Delaware. Purchased power expenses fell in New Jersey and rose in Delaware. The cost of treating residuals also fell in New Jersey.

Depreciation expense increased 9.05% over the same period from last year. Plant improvements of \$11.0 million over the last twelve months plus an increase in the composite depreciation rate for our Delaware utility plant were the primary reasons for the increase of this expense.

Federal income taxes fell 7.7%, reflecting a lower amount of current taxable income.

Other income rose significantly due to accrued interest on amounts due to USA-PA under the management contract with the City of Perth Amboy.

Net income continued to decline by falling 2.5% to \$0.9 million, which underscores the need for the requested rate relief in our New Jersey operations.

Results of Operations - Twelve Months Ended March 31, 2001

Operating revenues for the twelve months ended March 31, 2001 were down \$0.2 million to \$54.6 million. Consumption revenues in New Jersey fell \$0.3 million and variable fees, based upon consumption growth from our Perth Amboy contract fell \$0.2 million reflecting the wet and cool weather experienced in New Jersey during the spring and summer of 2000. Despite similar weather patterns in Delaware, our customer growth of 14.8% helped to increase revenues by \$0.4 million.

Total operating expenses increased \$0.7 million or 1.5%. Lower water production led to a decrease of \$0.4 million in energy and purchased water costs. Water treatment costs, however, increased \$0.5 million as additional chemicals were required to ensure compliance with water quality standards. Employee

wages rose \$0.2 million, while employee benefits increased \$0.4 million as medical benefit expenses continue to increase. Maintenance costs decreased by \$0.2 million due to a lower number of cold weather related main breaks and a decreased number of emergency repairs at the Delaware mobile home parks systems acquired in January 2000. Depreciation expense increased \$0.6 million or 15.2% as a result of the CJO Plant completion in July 1999, with a cost of approximately \$35.0 million and other utility plant improvements of \$26.0 million since March 31, 1999.

Federal income taxes declined \$0.6 million or 19.0% as a result of the lower amount of taxable income.

Other income fell \$0.9 million as AFUDC declined due to the reduced capital expenditures. Earnings on excess funds also declined due to a lower level of excess working capital available for investment.

The 10.5% decrease in preferred stock dividend requirements reflects the partial exercise of the conversion feature of the \$8.00 Series of Preferred Stock in late 1999. Basic and diluted earnings per share decreased almost 30% to \$1.00.

Capital Resources

The Company's capital program for 2001 is estimated to be \$20.3 million and includes \$11.6 million for water system additions and improvements for our Delaware systems and \$1.8 million for final expenditures on the upgrade to the CJO Plant. The capital program also includes and \$6.9 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$0.8 million for mains, \$0.9 million for service lines, \$0.3 million for meters, \$0.3 million for hydrants, \$0.8 million for computer systems and \$3.8 million for various other items.

Liquidity

The capital program in Delaware will be financed through a combination of a capital contribution from Middlesex and long-term debt financing from either a financial institution or the Company. Middlesex, Tidewater and Bayview each have filed applications with their respective state agencies to qualify certain capital projects for financing through the State Revolving Fund (SRF). SRF provides low cost financing for projects that meet certain water quality improvement benchmarks. Most of the proceeds from those loans, if granted, will be used in 2002 with some minor expenditure in 2001. Other capital expenditures will be financed through internally generated funds and sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan (DRP). Capital expenditures of \$1.3 million have been incurred in the three months ended March 31, 2001. The Company will also utilize short-term borrowings through \$18.0 million of available lines of credit it has with two commercial banks for working capital purposes. At March 31, 2001, there was \$7.0 million outstanding against the lines of credit.

Accounting Standards

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts. The adoption of this statement on January 1, 2001, had no impact on the financial statements.

Outlook

Middlesex and its subsidiaries continue to review operations for cost reductions, without sacrificing service to our customers. Higher revenues from the most recently approved rate increase for Middlesex and the expected final decisions in the two Pinelands cases during the second quarter should help improve earnings over last year. A return to more typical spring and summer weather patterns will also increase revenues. Similarly, increased usage in Delaware may provide additional revenue as a result of the rate increase and restructured rates. The restructured rates now reflect a greater proportionate charge on the consumption component of the rate. Even with the recent rate increase in Delaware, we are earning less than half of the approved 9.14% rate of return. We are evaluating the timing of additional rate relief request in that jurisdiction. Our latest earnings projections for 2001 are between \$1.14 and \$1.18 per basic share.

Forward Looking Information

Certain matters discussed in this report on Form 10-Q are "forward-looking statements" intended to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such statements may address future plans, objectives, expectations and events concerning various matters such as capital expenditures, earnings, litigation, growth potential, rate and other regulatory matters, liquidity, 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.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate, long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately \$0.2 million of the current portion of four existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings would not have a material effect on earnings.

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings
None
- Item 2. Changes in Securities
None.
- Item 3. Defaults upon Senior Securities
None.
- Item 4. Submission of Matters to a Vote of Security Holders
None.
- Item 5. Other Information
None
- Item 6. Exhibits and Reports on Form 8-K
(a) Exhibits: No. 27, Financial Data Schedule.

(b) Reports on Form 8-K: None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

MIDDLESEX WATER COMPANY
(Registrant)

/s/ A. Bruce O'Connor

A. Bruce O'Connor
Vice President and Controller

Date: May 14, 2001