

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2012**

OR

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

Commission File Number 0-422

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

New Jersey

(State of Incorporation)

22-1114430

(IRS employer identification no.)

1500 Ronson Road, Iselin NJ 08830

(Address of principal executive offices, including zip code)

(732) 634-1500

(Registrant's telephone number, including area code)

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

Title of Each Class:
Common Stock, No Par Value

Name of each exchange on which registered:
The NASDAQ Stock Market, LLC

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted and posted on their corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2012 was \$298,875,149 based on the closing market price of \$18.58 per share.

The number of shares outstanding for each of the registrant's classes of common stock, as of March 5, 2013:
Common Stock, No par Value 15,815,595 shares outstanding

Documents Incorporated by Reference

Proxy Statement to be filed in connection with the Registrant's Annual Meeting of Stockholders to be held on May 21, 2013, which will be filed with the Securities and Exchange Commission within 120 days of the end of our 2012 fiscal year, is incorporated by reference into Part III.

MIDDLESEX WATER COMPANY
FORM 10-K

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report and in the documents incorporated by reference constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Middlesex Water Company (the “Company”) intends that these statements be covered by the safe harbors created under those laws. These statements include, but are not limited to:

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

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

- the effects of general economic conditions;
- increases in competition in the markets served by the Company;
- the ability of the Company to control operating expenses and to achieve efficiencies in its operations;
- the availability of adequate supplies of water;
- actions taken by government regulators, including decisions on rate increase requests;
- new or additional water quality standards;
- weather variations and other natural phenomena;
- the existence of financially attractive acquisition candidates and the risks involved in pursuing those acquisitions;
- acts of war or terrorism;
- significant changes in the pace of housing development in Delaware;
- the availability and cost of capital resources;
- the ability to translate Preliminary Survey & Investigation charges into viable projects; and
- other factors discussed elsewhere in this annual report.

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

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

PART I

Item 1. Business.

Overview

Middlesex Water Company (Middlesex) was incorporated as a water utility company in 1897 and owns and operates regulated water utility and wastewater systems in New Jersey, Delaware and Pennsylvania. Middlesex also operates water and wastewater systems under contract on behalf of municipal and private clients in New Jersey and Delaware.

The terms “the Company,” “we,” “our,” and “us” refer to Middlesex Water Company and its subsidiaries, including Tidewater Utilities, Inc. (Tidewater) and Tidewater’s wholly-owned subsidiaries, Southern Shores Water Company, LLC (Southern Shores) and White Marsh Environmental Systems, Inc. (White Marsh). The Company’s other subsidiaries are Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands), Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy) Inc., (USA-PA), Tidewater Environmental Services, Inc. (TESI) and Twin Lakes Utilities, Inc. (Twin Lakes).

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

Middlesex System

The Middlesex System in New Jersey provides water services to approximately 60,000 retail customers, primarily in eastern Middlesex County, New Jersey and provides water under wholesale contracts to the City of Rahway, Townships of Edison and Marlboro, the Boroughs of Highland Park and Sayreville and the Old Bridge Municipal Utilities Authority. The Middlesex System treats, stores and distributes water for residential, commercial, industrial and fire protection purposes. The Middlesex System also provides water treatment and pumping services to the Township of East Brunswick under contract. The Middlesex System produced approximately 61% of our 2012 consolidated operating revenues.

The Middlesex System’s retail customers are located in an area of approximately 55 square miles in Woodbridge Township, the City of South Amboy, the Boroughs of Metuchen and Carteret, portions of the Township of Edison and the Borough of South Plainfield in Middlesex County and, to a minor extent, a portion of the Township of Clark in Union County. Retail customers include a mix of residential customers, large industrial concerns and commercial and light industrial facilities. These customers are located in generally well-developed areas of central New Jersey.

The contract customers of the Middlesex System comprise an area of approximately 146 square miles with a population of approximately 300,000. Contract sales to Edison, Sayreville, Old Bridge, Marlboro and Rahway are supplemental to the existing water systems of these customers. The Middlesex System provides treated surface water under long-term agreements to East Brunswick, Marlboro, Old Bridge and Sayreville.

Middlesex provides water service to approximately 300 customers in Cumberland County, New Jersey. This system is referred to as Bayview, and is not physically interconnected with the Middlesex System. Bayview produced less than 1% of our 2012 consolidated operating revenues.

Tidewater System

Tidewater, together with its wholly-owned subsidiary, Southern Shores, provides water services to approximately 37,000 retail customers for domestic, commercial and fire protection purposes in over 300 separate community water systems in New Castle, Kent and Sussex Counties, Delaware. White Marsh is a wholly-owned subsidiary of Tidewater that is unregulated as to rates and operates water and wastewater systems under contract for approximately 4,600 residential customers. White Marsh also owns the office buildings that Tidewater uses as its central business office campus. The Tidewater System produced approximately 26% of our 2012 consolidated operating revenues.

Utility Service Affiliates-Perth Amboy

USA-PA operates the City of Perth Amboy, New Jersey's (Perth Amboy) water and wastewater systems under a 20-year agreement, which expires in 2018. USA-PA serves approximately 11,000 homes and businesses, most of which are served by both the water and wastewater systems. The agreement was effected under New Jersey's Water Supply Public-Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives fixed fees, and may receive variable fees, based on customer revenue growth. Fixed fee revenues increase over the term of the 20-year contract based upon a schedule of rates. USA-PA produced approximately 9% of our 2012 consolidated operating revenues.

In connection with the agreement with Perth Amboy, USA-PA entered into a 20-year subcontract with a wastewater operating company for the operation and maintenance of the Perth Amboy wastewater collection system. The subcontract provides for the sharing of certain fixed and variable fees and operating expenses.

Pinelands System

Pinelands Water provides water services to approximately 2,500 residential customers in Burlington County, New Jersey. Pinelands Water produced less than 1% of our 2012 consolidated operating revenues. Pinelands Water is not physically interconnected with the Middlesex System.

Pinelands Wastewater provides wastewater services to approximately 2,500 residential customers. Under contract, it also services one municipal wastewater system in Burlington County, New Jersey with approximately 200 residential customers. Pinelands Wastewater produced approximately 1% of our 2012 consolidated operating revenues.

Utility Service Affiliates, Inc.

USA offers residential customers in New Jersey and Delaware water service line and sewer lateral maintenance programs (LineCare). USA entered into a marketing agreement (the Agreement), expiring in 2021, with HomeServe USA (HomeServe), a leading provider of home maintenance service programs to service, develop and grow USA's LineCare customer base. USA receives a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts.

On July 1, 2012, USA began service to the Borough of Avalon, New Jersey (Avalon) under a ten-year operations and maintenance contract for the Avalon water utility, sewer utility and storm water system. In addition to performing the day to day operations, USA is responsible for billing, collections, customer service, emergency responses and management of capital projects funded by Avalon.

USA produced approximately 2% of our 2012 consolidated operating revenues.

TESI System

TESI provides wastewater services to approximately 2,400 residential retail customers in Kent and Sussex Counties, Delaware. TESI produced approximately 1% of our 2012 consolidated operating revenues.

Twin Lakes System

Twin Lakes provides water services to approximately 110 residential customers in Shohola, Pennsylvania. Twin Lakes produced less than 1% of our 2012 consolidated operating revenues.

Financial Information

Consolidated operating revenues, operating income and net income are as follows:

	(Thousands of Dollars)		
	Years Ended December 31,		
	2012	2011	2010
Operating Revenues	\$ 110,379	\$ 102,069	\$ 102,735
Operating Income	\$ 27,647	\$ 24,201	\$ 26,597
Net Income	\$ 14,396	\$ 13,447	\$ 14,330

Operating revenues were earned from the following sources:

	2012	2011	2010
Residential	46.1%	46.0%	45.5%
Commercial	9.8	10.0	9.7
Industrial	8.8	9.2	8.7
Fire Protection	9.5	10.1	9.7
Contract Sales	13.0	13.1	14.6
Contract Operations	11.1	10.0	9.7
Other	1.7	1.6	2.1
Total	100.0%	100.0%	100.0%

Water Supplies and Contracts

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

Middlesex System

Our Middlesex System, which produced approximately 15.8 billion gallons in 2012, obtains water from surface sources and wells, or groundwater sources. In 2012, surface sources of water provided approximately 74% of the Middlesex System's water supply, groundwater sources provided approximately 19% from 31 wells and the balance was purchased from a non-affiliated water utility. Middlesex System's distribution storage facilities are used to supply water to customers at times of peak demand, outages and emergencies.

The principal source of surface water for the Middlesex System is the Delaware & Raritan Canal, which is owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority. Middlesex is under contract with the New Jersey Water Supply Authority, which expires November 30, 2023. The contract provides for average purchases of 27 million gallons per day (mgd) of untreated water from the Delaware & Raritan Canal, augmented by the Round Valley/Spruce Run Reservoir System. Surface water is pumped to, and treated at the Middlesex Carl J. Olsen (CJO) Water Treatment Plant. Middlesex also has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement provides for minimum purchase of 3.0 mgd of treated water with provisions for additional purchases.

Tidewater System

Our Tidewater System produced approximately 1.9 billion gallons in 2012 from 158 wells. In 2012, no new wells were placed into service and we retired 1 well for the purpose of consolidating production facilities for more cost-efficient operation. Tidewater will submit applications to Delaware regulatory authorities for the approval of additional wells as growth, demand and water quality warrant. The Tidewater System does not have a central treatment facility but has several regional, as well as several smaller independent, treatment plants. Several of its water systems in New Castle, Kent and Sussex Counties, Delaware have interconnected transmission systems.

Pinelands System

Water supply to our Pinelands System is derived from four wells which produced approximately 162.6 million gallons in 2012. The pumping capacity of the four wells is 2.2 million gallons per day.

Pinelands Wastewater System

The Pinelands Wastewater System discharges into the South Branch of the Rancocas Creek through a tertiary treatment plant that provides clarification, sedimentation, filtration and disinfection. The total capacity of the plant is 0.5 mgd, and the system treated approximately 111.2 million gallons in 2012.

Bayview System

Water supply to Bayview customers is derived from two wells, which delivered approximately 16.3 million gallons in 2012.

TESI System

The TESI System is comprised of seven wastewater treatment systems in Kent and Sussex Counties, Delaware. The treatment plants provide clarification, sedimentation, and disinfection. The combined total treatment capacity of the plants is 0.6 mgd. The TESI System treated approximately 78.3 million gallons in 2012.

Twin Lakes System

Water supply to Twin Lakes' customers is derived from two wells, which delivered approximately 23.9 million gallons in 2012.

Employees

As of December 31, 2012, we had a total of 279 employees. No employees are represented by a union. We believe our employee relations are good. Wages and benefits are reviewed annually and are considered competitive within both the industry and the regions where we operate.

Competition

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

Regulation

Our rates charged to customers for water and wastewater services, the quality of the services we provide and certain other matters are regulated by the following state utility commissions (collectively, the Utility Commissions):

- New Jersey-New Jersey Board of Public Utilities (NJBPU)
- Delaware-Delaware Public Service Commission (DEPSC)
- Pennsylvania-Pennsylvania Public Utilities Commission (PAPUC)

Our USA, USA-PA and White Marsh subsidiaries are not regulated public utilities. However they are subject to environmental regulation with respect to water and wastewater effluent quality to the extent such services are provided.

We are subject to environmental and water quality regulation by the following regulatory agencies (collectively, the Government Environmental Regulatory Agencies):

- United States Environmental Protection Agency (EPA)
- New Jersey Department of Environmental Protection (NJDEP) with respect to operations in New Jersey
- Delaware Department of Natural Resources and Environmental Control, the Delaware Department of Health and Social Services-Division of Public Health (DEDPH), and the Delaware River Basin Commission (DRBC) with respect to operations in Delaware
- Pennsylvania Department of Environmental Protection (PADEP) with respect to operations in Pennsylvania

In addition, our issuances of equity securities are subject to the prior approval of the NJBPU and require registration with the SEC. Our issuances of long-term debt securities are subject to the prior approval of the appropriate Utility Commissions.

Regulation of Rates and Services

For ratemaking purposes, we account separately for operations in New Jersey, Delaware and Pennsylvania to facilitate independent ratemaking by the applicable Utility Commissions.

In determining our rates, the respective Utility Commissions consider the revenue, expenses, rate base of property used and useful in providing service to the public and a fair rate of return on investments within their separate jurisdictions. Rate determinations by the respective Utility Commissions do not guarantee particular rates of return to us for our New Jersey, Delaware and Pennsylvania operations. Thus, we may not achieve the rates of return permitted by the Utility Commissions. In addition, there can be no assurance that any future rate increases will be granted or, if granted, that they will be in the amounts requested.

Middlesex Rate Matters

In July 2012, the NJBPU approved an \$8.1 million increase in Middlesex's annual base water rates. A base rate increase request of \$11.3 million was filed in January 2012 seeking recovery of increased costs of operations, chemicals, fuel, electricity, taxes, labor and benefits, and decreases in industrial and commercial customer demand patterns, as well as capital investment in utility plant. The new base rates are designed to generate sufficient revenue to recover these increased costs and offset the lower customer demands, as well as provide a return on invested capital in rate base of \$202.4 million, based on a return on equity of 10.15%. The rate increase became effective on July 20, 2012.

In November 2012, Middlesex filed a petition with the NJBPU seeking approval of foundational information (Foundational Filing) that would allow for the implementation of a Distribution System Improvement Charge (DSIC). A DSIC is a rate-mechanism that allows water utilities to recover investment in capital improvements to their water distribution system made between base rate proceedings. In February 2013, the Foundational Filing was approved by the NJBPU, which allows Middlesex to implement a DSIC rate in September 2013 to recover costs for qualifying projects that are placed in service in the six-month post approval period. The DSIC rate is allowed to increase in three subsequent six month periods for any additional qualifying projects placed in service during those time periods. The maximum annual revenues allowed to be recovered under the approved Foundational Filing is \$1.4 million.

In September 2012, Middlesex filed an application with the NJBPU seeking permission to establish a Purchased Water Adjustment Clause (PWAC) and implement a tariff rate sufficient to recover increased costs of \$0.1 million to purchase untreated water from the New Jersey Water Supply Authority (NJWSA) and treated water from a non-affiliated regulated water utility. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request.

In March 2010, the NJBPU granted an increase in Middlesex's annual operating revenues of 13.57%, or \$7.8 million. The increase was necessitated by increased costs, as well as to provide a return on invested capital in rate base of \$180.3 million based on a return on equity of 10.30%.

Tidewater Rate Matters

In June 2012, the DEPSC approved a \$3.9 million increase in Tidewater's annual base water rates. A base rate increase request of \$6.9 million was filed in September 2011 seeking recovery of increased costs for operations, maintenance and taxes, as well as capital investment. Under DEPSC regulations, Tidewater had implemented interim rates in November 2011, which amounted to approximately \$2.5 million on an annual basis. The new final base rates reflect the remaining \$1.4 million and became effective June 19, 2012.

Effective January 1, 2013, Tidewater implemented a DEPSC approved \$0.1 million DSIC rate increase.

TESI Rate Matters

In November 2012, TESI filed an application with the DEPSC seeking approval to purchase all of the utility assets of the 600 customer wastewater system serving the residents of the Plantations development (the Plantations) in Rehoboth Beach, Delaware. The application also requests the transfer of the wastewater franchise from the current owner to TESI. In connection with this transaction, TESI also filed an application with DEPSC seeking an approximate \$0.1 million increase in the Plantations' residents base wastewater rates. The purchase, and subsequent operation, of the Plantation's wastewater system is contingent, among other things, upon the DEPSC's approval of both applications. We cannot predict whether the DEPSC will ultimately approve or deny the purchase and base rate increase. A decision by the DEPSC is not expected until the third quarter of 2013.

In June 2012, the DEPSC approved a \$0.6 million increase in TESI's annual base wastewater rates, a portion of which is to be phased in through 2015. A base rate increase request of \$0.8 million was filed in July 2011 seeking recovery of increased operation and maintenance costs, as well as capital investment. Under DEPSC regulations, TESI had implemented interim rates in September 2011, which amounted to approximately \$0.1 million on an annual basis. The new final base rates became effective June 5, 2012.

Pinelands Rate Matters

In August 2012, Pinelands Water and Pinelands Wastewater filed petitions with the NJBPU seeking permission to increase base rates by approximately \$0.2 million and \$0.1 million per year, respectively. These requests were made as a result of capital investments as well as increased operations and maintenance costs for both companies. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request. A decision by the NJBPU is not expected until the second quarter of 2013.

Southern Shores Rate Matters

Effective June 1, 2011, the DEPSC approved a multi-year agreement for a phased-in base rate increase for Southern Shores. This increase was made as a result of capital investment in the upgrade and renovation of Southern Shores' primary water treatment facilities, as well as by increased operating costs. Under the terms of the agreement, which expires in 2020, customer rates will increase on January 1st of each year to generate additional annual revenue of \$0.1 million with each increase.

Twin Lakes Rate Matters

The PAPUC approved a \$0.1 million, three-year phased-in base rate increase effective March 3, 2012. This increase was designed to recover capital investment in the upgrade and renovation of the Twin Lakes System, as well as increased operating costs.

Future Rate Filings

Both Middlesex and Tidewater believe it will be necessary to file for an increase in their base rates in 2013. Once filed, there can be no assurances that the Utility Commissions will approve the anticipated rate increase requests in whole or in part. In addition, the timing of approval of these rate requests is presently not known.

Water and Wastewater Quality and Environmental Regulations

Government environmental regulatory agencies regulate our operations in New Jersey, Delaware and Pennsylvania with respect to water supply, treatment and distribution systems and the quality of the water. They also regulate our operations with respect to wastewater collection, treatment and disposal.

Regulations relating to water quality require us to perform tests to ensure our water meets state and federal quality requirements. In addition, government environmental regulatory agencies continuously review current regulations governing the limits of certain organic compounds found in the water as byproducts of the treatment process. We participate in industry-related research to identify the various types of technology that might reduce the level of organic, inorganic and synthetic compounds found in water. The cost to water companies of complying with the proposed water quality standards depends in part on the limits set in the regulations and on the method selected to treat the water to the required standards. We regularly test our water to determine compliance with existing government environmental regulatory agencies' primary water quality standards.

Treatment of well water in our Middlesex System is by chlorination for primary disinfection purposes. In addition, at certain locations, air stripping is used for removal of volatile organic compounds.

Surface water treatment in our Middlesex System is by conventional treatment; coagulation, sedimentation and filtration. The treatment process includes pH adjustment, chlorination for disinfection, and corrosion control for the distribution system.

Treatment of well water in our Tidewater System is by chlorination for disinfection purposes and, in some cases, pH correction and filtration for nitrate and iron removal.

Treatment of well water in the Pinelands, Bayview and Twin Lakes Systems (primary disinfection only) is performed at individual well sites.

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

Seasonality

Customer demand for our water during the warmer months is generally greater than other times of the year due primarily to additional consumption of water in connection with irrigation systems, swimming pools, cooling systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand may vary with temperature and rainfall timing and overall levels. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the customer demand for our water may decrease and therefore, adversely affect our revenues.

Management

This table lists information concerning our executive management team:

Name	Age	Principal Position(s)
Dennis W. Doll	54	President, Chief Executive Officer and Chairman of the Board of Directors
A. Bruce O'Connor	54	Vice President and Chief Financial Officer
Richard M. Risoldi	56	Vice President-Operations and Chief Operating Officer
Kenneth J. Quinn	65	Vice President-General Counsel, Secretary and Treasurer
Bernadette M. Sohler	52	Vice President-Corporate Affairs
Lorrie B. Ginegaw	38	Vice President-Human Resources
Gerard L. Esposito	61	President, Tidewater Utilities, Inc.

Dennis W. Doll – Mr. Doll joined the Company in November 2004 as Executive Vice President. He was elected President and Chief Executive Officer and became a Director of Middlesex effective January 1, 2006. In May 2010, he was elected Chairman of the Board of Directors of Middlesex. He is also Chairman for all subsidiaries of Middlesex. Prior to joining the Company, Mr. Doll had been employed in the regulated water utility business since 1985. Mr. Doll also serves as a volunteer Director on several non-profit Boards including the New Jersey Utilities Association, the National Association of Water Companies, the Water Research Foundation and Raritan Bay Medical Center.

A. Bruce O'Connor – Mr. O'Connor, a Certified Public Accountant, joined the Company in 1990 and was elected Vice President and Chief Financial Officer in 1996. He is responsible for financial reporting, customer service, rate cases, cash management and financings. He is Treasurer and a Director of Tidewater, TESI, USA, and White Marsh. He is Vice President, Treasurer and a Director of USA-PA, Pinelands Water and Pinelands Wastewater. He is also Vice President, Treasurer and a Director of Twin Lakes.

Richard M. Risoldi – Mr. Risoldi joined the Company in 1989 as Director of Production, responsible for the operation and maintenance of the Company's treatment and pumping facilities. He was appointed Assistant Vice President of Operations in 2003. He was elected Vice President-Subsidiary Operations in May 2004, responsible for regulated and unregulated subsidiary operations and business development. In January 2010, he became Vice President – Operations and Chief Operating Officer. He is a Director of Tidewater, TESI and White Marsh. He also serves as Director and President of Pinelands Water, Pinelands Wastewater, USA, USA-PA and Twin Lakes.

Kenneth J. Quinn – Mr. Quinn joined the Company in 2002 as General Counsel and was elected Assistant Secretary in 2003. In 2004, Mr. Quinn was elected Vice President, Secretary and Treasurer for Middlesex and Secretary and Assistant Treasurer for all subsidiaries of Middlesex. Prior to joining the Company he had been employed in private law practice as well as by two major banking institutions located in New Jersey. He is a member of the New Jersey State Bar Association and its Public Utility Law Section.

Bernadette M. Sohler – Ms. Sohler joined the Company in 1994 and was named Director of Communications in 2003 and promoted to Vice President-Corporate Affairs in March 2007 with responsibilities for corporate, investor and employee communications, media and government relations, marketing, community affairs and corporate philanthropic activities. She also serves as Vice President of USA. Prior to joining the Company, Ms. Sohler held marketing and public relations management positions in the financial services industry. Ms. Sohler serves as a volunteer director on several non-profit Boards including the National Association of Water Companies and is the Chair of the New Jersey Utilities Association's Communications Committee.

Lorrie B. Ginegaw – Ms. Ginegaw joined Tidewater in 2004. In September 2005, Ms. Ginegaw was promoted to Human Resources Manager. In May 2007, Ms. Ginegaw was promoted to Director of Human Resources for Middlesex. In March 2012, Ms. Ginegaw was appointed Vice President-Human Resources. Ms. Ginegaw is responsible for all Human Resources throughout the Company. Prior to joining the Company, Ms. Ginegaw worked in various human resources positions in the healthcare and transportation/logistics industries. She is the Chair of the New Jersey Utilities Association's Human Resources Committee and a member of the Middlesex County Workforce Investment Board.

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

ITEM 1A. RISK FACTORS.

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

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

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

General economic conditions may materially and adversely affect our financial condition and results of operations.

Recent economic conditions have negatively impacted our customers' water usage demands, particularly the level of water usage demand by our commercial and industrial customers in our Middlesex System. We are unable to determine when these customers' water demands may return to previous levels, or if the decline in demand will continue indefinitely. If water demand by our commercial and industrial customers in our Middlesex System does not return to previous levels, our financial condition and results of operations could be negatively impacted.

Recent economic conditions have also impacted the volume and pace of residential construction in our Delaware markets and in other states where developer-projects are in various stages of completion. The timing and extent of recovery of our engineering and other preliminary survey and investigation (PS&I) charges either from the construction of a project that yields customers or from reimbursements from a developer is dependent upon the timing and extent to which such projects may or may not be further developed or from our ability to collect amounts contractually owed to us. If it is determined that recovery is unlikely, the applicable PS&I costs will be charged against income in the period of determination.

We are subject to environmental laws and regulations, including water quality and wastewater effluent quality regulations, as well as other state and local regulations. Compliance with those laws and regulations requires us to incur costs and we are subject to fines or other sanctions for non-compliance.

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

We are also subject to regulations related to fire protection services in New Jersey and Delaware. In New Jersey there is no state-wide fire protection regulatory agency. However, New Jersey regulations exist as to the size of piping required regarding the provision of fire protection services. In Delaware, fire protection is regulated statewide by the Office of State Fire Marshal.

The cost of compliance with the water and wastewater effluent quality standards depends in part on the limits set in the regulations and on the method selected to implement them. If new or more restrictive standards are imposed, the cost of compliance could be very high and have an adverse impact on our revenues and results of operations if we cannot recover those costs through our rates that we charge our customers. The cost of compliance with fire protection requirements could also be high and make us less profitable if we cannot recover those costs through our rates charged to our customers.

In addition, if we fail to comply with environmental or other laws and regulations to which our business is subject, we could be fined or subject to other sanctions, which could adversely impact our business or results of operations.

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

We require financing to fund the ongoing capital program for the improvement of our utility system assets and for planned expansion of those systems. We expect to spend approximately \$73.0 million for capital projects through 2015. We must obtain regulatory approval to sell debt or equity securities to raise money for these projects. If sufficient capital is not available or the cost of capital is too high, or if the regulatory authorities deny a petition of ours to sell debt or equity securities, we may not be able to meet the costs of complying with environmental laws and regulations or the costs of improving and expanding our utility system assets to the level we believe necessary. This might result in the imposition of fines or restrictions on our operations and may curtail our ability to improve upon and expand our utility system assets.

We rely on our information technology systems to help manage our operations.

Our information technology systems require periodic modifications, upgrades and or replacement which subject us to costs and risks including potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate existing or new systems, and other risks and costs of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. In addition, the difficulties with implementing new technology systems may cause disruptions in our business operations and have an adverse effect on our business and operations, if not anticipated and appropriately mitigated.

We rely on our computer, information and communications technology systems in connection with the operation of our business, especially with respect to customer service and billing, accounting and, in some cases, the monitoring and operation of our facilities. Our computer and communications systems and operations could be damaged or interrupted by natural disasters, power loss and internet, telecommunications or data network failures or acts of war or terrorism or similar events or disruptions. Any of these or other events could cause system interruption, delays and loss of critical data or delay or prevent operations and adversely affect our financial results.

There have been an increasing number of cyber security incidents on companies around the world, which have caused operational failures or compromised sensitive corporate or customer data. Although we do not believe that our systems are at a materially greater risk of cyber security incidents than other similar organizations, such cyber security incidents may result in the loss or compromise of customer, financial or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems and delays in financial reporting and other normal management functions. Possible impacts associated with a cyber security incident may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation and reputational damage.

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

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

Our business is subject to seasonal fluctuations, which could affect demand for our water service and our revenues.

Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional consumption of water in connection with irrigation systems, swimming pools, cooling systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand may vary with temperature and rainfall levels. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the demand for our water may decrease and adversely affect our revenues.

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

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

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

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

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

USA-PA operates and maintains the water and wastewater systems of Perth Amboy under a 20-year contract expiring in 2018. This contract does not protect us against incurring costs in excess of revenues we earn pursuant to the contract. There can be no absolute assurance that we will not experience losses resulting from this contract. Losses under this contract, or our failure or inability to perform, may have a material adverse effect on our financial condition and results of operations.

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

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

The current concentration of our business in central New Jersey and Delaware makes us susceptible to any adverse development in local regulatory, economic, demographic, competitive and weather conditions.

Our New Jersey water and wastewater businesses provide services to customers who are located primarily in eastern Middlesex County, New Jersey. Water service is provided under wholesale contracts to the Townships of Edison and Marlboro, the Boroughs of Highland Park and Sayreville, the Old Bridge Municipal Utilities Authority, and the City of Rahway in Union County, New Jersey. We also provide water and wastewater services to customers in the State of Delaware. Our revenues and operating results are therefore subject to local regulatory, economic, demographic, competitive and weather conditions in a relatively concentrated geographic area. A change in any of these conditions could make it more costly or difficult for us to conduct our business. In addition, any such change would have a disproportionate effect on us, compared to water utility companies that do not have such a geographic concentration.

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

Because of the continuing threats to the health and security of the United States of America, we employ procedures to review and modify, as necessary, security measures at our facilities. We provide ongoing training and communications to our employees about threats to our water supply and to their personal safety. Our security measures include protocols regarding delivery and handling of certain chemicals used in our business. We are at risk for terrorist attacks and have incurred, and will continue to incur, costs for security measures to protect our facilities, operations and supplies from such risks.

Our ability to achieve growth in our market area is dependent on the residential building market. Housing starts impact our rate of growth and therefore, may not meet our expectations.

We expect our revenues to increase from customer growth for our regulated water and wastewater operations as a result of anticipated construction and sale of new housing units. Although the residential building market in Delaware has experienced growth in recent years, this growth has slowed due to current economic conditions. If housing starts decline further, or do not increase as we have projected, as a result of economic conditions or otherwise, the timing and extent of our revenue growth may not meet our expectations, our deferred project costs may not produce revenue-generating projects in the timeframes anticipated and our financial results could be negatively impacted.

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

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

If we are unable to pay the principal and interest on our indebtedness as it comes due or we default under certain other provisions of our loan documents, our indebtedness could be accelerated and our results of operations and financial condition could be adversely affected.

Our ability to pay the principal and interest on our indebtedness as it comes due will depend upon our current and future performance. Our performance is affected by many factors, some of which are beyond our control.

We believe that our cash generated from operations, and, if necessary, borrowings under our existing credit facilities will be sufficient to enable us to make our debt payments as they become due. If, however, we do not generate sufficient cash, we may be required to refinance our obligations or sell additional equity, which may be on terms that are not as favorable to us.

No assurance can be given that any refinancing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our failure to comply with certain provisions contained in our trust indentures and loan agreements relating to our outstanding indebtedness could lead to a default under these documents, which could result in an acceleration of our indebtedness.

We depend significantly on the services of the members of our senior management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our senior management team. If we lose the services of any member of our senior management or are unable to hire and retain experienced management personnel, our operating results could be negatively impacted.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Utility Plant

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

The wastewater utility plant in our systems consist of pumping, treatment, collection mains, general facilities and all appurtenances, including all connecting pipes.

Middlesex System

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

Water is withdrawn from the Delaware & Raritan Canal at New Brunswick, New Jersey through our intake and pumping station, located on state-owned land bordering the canal. Water is transported through two raw water pipelines for treatment and distribution at our CJO Water Treatment Plant in Edison, New Jersey.

The CJO Water Treatment Plant includes chemical storage and chemical feed equipment, two dual rapid mixing basins, four upflow clarifiers which are also called superpulsators, four underground reinforced chlorine contact tanks, twelve rapid filters containing gravel, sand and anthracite for water treatment and a steel washwater tank. The CJO Water Treatment Plant also includes a computerized Supervisory Control and Data Acquisitions system to monitor and control the CJO Water Treatment Plant and the water supply and distribution system in the Middlesex System. There is an on-site State certified laboratory capable of performing bacteriological, chemical, process control and advanced instrumental chemical sampling and analysis. The firm design capacity of the CJO Water Treatment Plant is 55 mgd (60 mgd maximum capacity). The five electric motor-driven, vertical turbine pumps presently installed have an aggregate capacity of 85 mgd.

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

The transmission and distribution system is comprised of 740 miles of mains and includes 23,200 feet of 48-inch reinforced concrete transmission main connecting the CJO Water Treatment Plant to our distribution pipe network and related storage facilities. Also included is a 58,600 foot transmission main and a 38,800 foot transmission main, augmented with a long-term, non-exclusive agreement with the East Brunswick system to transport water to several of our contract customers.

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

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

Tidewater System

The Tidewater System is comprised of 83 production plants that vary in pumping capacity from 46,000 gallons per day to 1.0 mgd. Water is transported to our customers through 632 miles of transmission and distribution mains. Storage facilities include 48 tanks, with an aggregate capacity of 5.5 million gallons. Our Delaware operations are managed from Tidewater's offices in Dover, Delaware. The Delaware office property, located on an eleven-acre parcel owned by White Marsh, consists of two office buildings totaling approximately 17,000 square feet. In addition, Tidewater maintains a field operations center servicing its largest service territory area in Sussex County, Delaware. The operations center is located on a 2.9 acre parcel owned by White Marsh, and consists of one building totaling approximately 5,300 square feet.

Pinelands System

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

Pinelands Wastewater System

Pinelands Wastewater owns a 12 acre site on which its 0.5 million gallons per day capacity tertiary treatment plant and connecting pipes are located. Its wastewater collection system is comprised of approximately 24 miles of sewer lines.

Bayview System

Bayview owns two well sites, which are located in Downe Township, Cumberland County, New Jersey. Water is transported to its customers through our 4.2 mile distribution system.

TESI System

The TESI System is comprised of seven wastewater treatment systems in Southern Delaware. The treatment plants provide clarification, sedimentation, and disinfection. The combined total capacity of the plants is 0.6 mgd. TESI's wastewater collection system is comprised of approximately 36.9 miles of sewer lines.

Twin Lakes System

Twin Lakes owns two well sites, which are located in the Township of Shohola, Pike County, Pennsylvania. Water is transported to our customers through 3.7 miles of distribution mains.

USA-PA, USA and White Marsh

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

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

The Company's common stock is traded on the NASDAQ Stock Market, LLC, under the symbol MSEX. The following table shows the range of high and low share prices per share for the common stock and the dividend paid to shareholders in such quarter. As of December 31, 2012, there were 1,879 holders of record.

<u>2012</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
Fourth Quarter	\$ 19.59	\$ 17.48	\$ 0.1875
Third Quarter	\$ 19.64	\$ 18.40	\$ 0.1850
Second Quarter	\$ 19.00	\$ 18.00	\$ 0.1850
First Quarter	\$ 19.60	\$ 18.04	\$ 0.1850
<u>2011</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
Fourth Quarter	\$ 19.44	\$ 16.51	\$ 0.1850
Third Quarter	\$ 19.19	\$ 16.54	\$ 0.1825
Second Quarter	\$ 19.29	\$ 17.77	\$ 0.1825
First Quarter	\$ 19.31	\$ 17.35	\$ 0.1825

The Company has paid dividends on its common stock each year since 1912. The payment of future dividends is contingent upon the future earnings of the Company, its financial condition and other factors deemed relevant by the Board of Directors at its discretion.

If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock. In the event dividends on the preferred stock are in arrears, no dividends may be declared or paid on the common stock of the Company.

In June 2010, the Company sold and issued 1.9 million shares of common stock in a public offering that was priced at \$15.21 per share. The net proceeds of approximately \$27.8 million were used to repay certain of the Company's short-term debt outstanding.

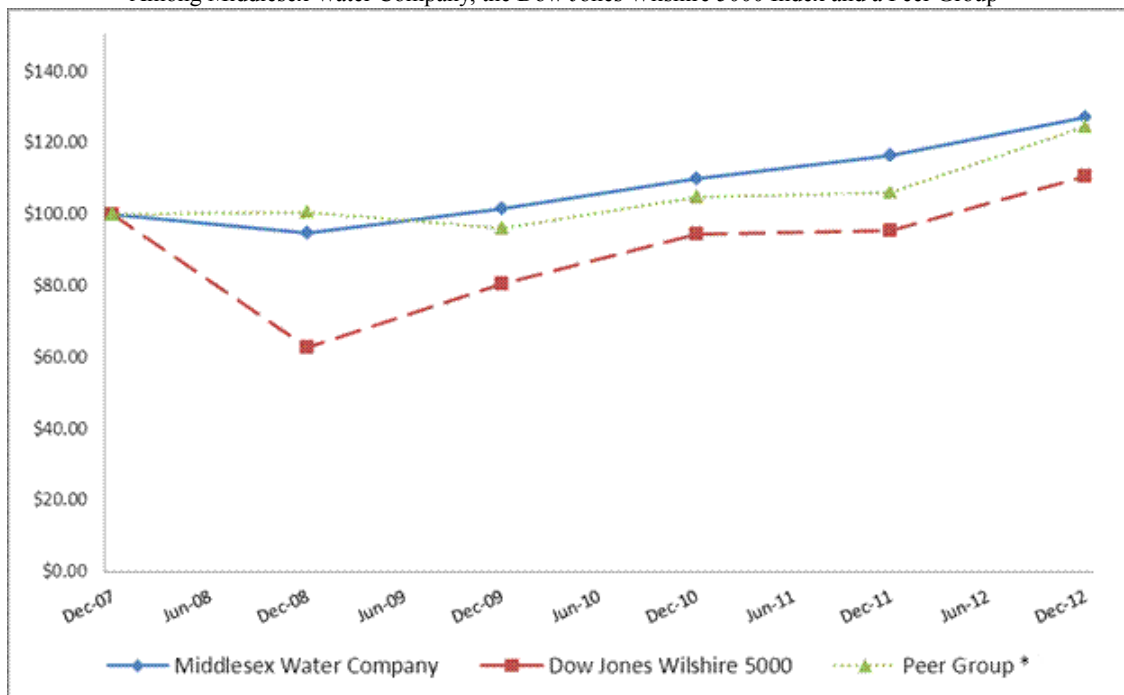
The Company periodically issues shares of common stock in connection with its Dividend Reinvestment and Common Stock Purchase Plan (the DRP). The Company raised approximately \$1.6 million through the issuance of 0.1 million shares under the DRP during 2012.

The Company has a stock compensation plan for certain management employees (the 2008 Restricted Stock Plan). The Company maintains an escrow account for 0.1 million awarded shares of the Company's common stock for the 2008 Restricted Stock Plan. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the award other than as a result of retirement, death, disability or change in control. The maximum number of shares authorized for grant under the 2008 Restricted Stock Plan is 0.3 million shares and 0.2 million shares remain available for future awards under the 2008 Restricted Stock Plan.

The Company has a stock compensation plan for its outside directors (the Outside Director Stock Compensation Plan). In 2012, 5,768 shares of common stock were granted and issued to the Company's outside directors under the Outside Director Stock Compensation Plan. The maximum number of shares authorized for grant under the Outside Director Stock Compensation Plan is 100,000. 87,429 shares remain available for future grants under the Outside Director Stock Compensation Plan.

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, a peer group of investor-owned water utilities, and the Dow Jones Wilshire 5000 Stock Index for the period of five years commencing December 31, 2007. The Dow Jones Wilshire 5000 Stock Index measures the performance of all U.S. headquartered equity securities with readily available price data.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among Middlesex Water Company, the Dow Jones Wilshire 5000 Index and a Peer Group*



* Peer group includes American States Water Company, Artesian Resources Corp., California Water Service Company, Connecticut Water Service, Inc., SJW Corp., York Water Company and Middlesex. The peer group has been modified to remove the following entities: Pennichuck Corp. (acquired); American Water Works, Inc. and Aqua America Inc. (substantial market capitalization). The remaining peer group members are more representative of similar size regulated water utilities.

	December 31,					
	2007	2008	2009	2010	2011	2012
Middlesex Water Company	100.00	94.60	101.41	110.07	116.44	127.02
Dow Jones Wilshire 5000	100.00	62.77	80.53	94.35	95.27	110.57
Peer Group	100.00	100.60	96.16	104.83	106.18	124.50

ITEM 6. SELECTED FINANCIAL DATA.**CONSOLIDATED SELECTED FINANCIAL DATA
(Thousands Except per Share Data)**

	2012	2011	2010	2009	2008
Operating Revenues	\$ 110,379	\$ 102,069	\$ 102,735	\$ 91,243	\$ 91,038
Operating Expenses:					
Operations and Maintenance	60,458	56,634	55,481	52,348	48,929
Depreciation	10,409	9,746	9,244	8,559	7,922
Other Taxes	11,865	11,488	11,413	10,175	10,168
Total Operating Expenses	82,732	77,868	76,138	71,082	67,019
Operating Income	27,647	24,201	26,597	20,161	24,019
Other Income, Net	857	2,149	1,444	1,726	1,302
Interest Charges	6,725	6,376	6,925	6,750	7,057
Income Taxes	7,383	6,527	6,786	5,160	6,056
Net Income	14,396	13,447	14,330	9,977	12,208
Preferred Stock Dividend	206	206	207	208	218
Earnings Applicable to Common Stock	\$ 14,190	\$ 13,241	\$ 14,123	\$ 9,769	\$ 11,990
Earnings per Share:					
Basic	\$ 0.90	\$ 0.85	\$ 0.96	\$ 0.73	\$ 0.90
Diluted	\$ 0.90	\$ 0.84	\$ 0.96	\$ 0.72	\$ 0.89
Average Shares Outstanding:					
Basic	15,733	15,615	14,654	13,454	13,317
Diluted	15,995	15,877	14,916	13,716	13,615
Dividends Declared and Paid	\$ 0.743	\$ 0.733	\$ 0.723	\$ 0.713	\$ 0.703
Total Assets	\$ 561,726	\$ 537,536	\$ 489,185	\$ 458,086	\$ 440,000
Convertible Preferred Stock	\$ 2,273	\$ 2,273	\$ 2,273	\$ 2,273	\$ 2,273
Long-term Debt	\$ 131,467	\$ 132,167	\$ 133,844	\$ 124,910	\$ 118,217

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

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

Management's Overview**Operations**

Middlesex Water Company (Middlesex) has operated as a water utility in New Jersey since 1897, in Delaware through our wholly-owned subsidiary, Tidewater Utilities, Inc. (Tidewater), since 1992 and in Pennsylvania through our wholly-owned subsidiary, Twin Lakes Utilities, Inc. (Twin Lakes), since 2009. We are in the business of collecting, treating and distributing water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate two New Jersey municipal water and wastewater systems under contract and provide regulated wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services, as to the quality of water service we provide and as to certain other matters in New Jersey, Delaware and Pennsylvania. Only our Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy), Inc. (USA-PA) and White Marsh Environmental Services, Inc. (White Marsh) subsidiaries are not regulated utilities.

Our New Jersey water utility system (the Middlesex System) provides water services to approximately 60,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey with a total population of approximately 300,000. We also have an investment in a joint venture, Ridgewood Green RME, LLC, that is constructing, and will own and operate, facilities to optimize the production of electricity at the Village of Ridgewood, New Jersey wastewater treatment plant and other municipal facilities (full operation of the facilities is expected to begin in the second quarter of 2013). In partnership with our subsidiary, USA-PA, we operate the water supply system and wastewater system for the City of Perth Amboy, New Jersey (Perth Amboy). Our Bayview subsidiary provides water services in Downe Township, New Jersey. Our other New Jersey subsidiaries, Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands), provide water and wastewater services to residents in Southampton Township, New Jersey.

USA offers residential customers in New Jersey and Delaware water service line and sewer lateral maintenance programs (LineCare). USA entered into a marketing agreement (the Agreement), expiring in 2021, with HomeServe USA (HomeServe), a leading provider of home maintenance service programs to service, develop and grow USA's LineCare customer base. USA receives a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts. On July 1, 2012, USA began service to the Borough of Avalon, New Jersey (Avalon) under a ten-year operations and maintenance contract for the Avalon water utility, sewer utility and storm water system. In addition to performing the day to day operations, USA is responsible for billing, collections, customer service, emergency responses and management of capital projects funded by Avalon.

Our Delaware subsidiaries, Tidewater and Southern Shores Water Company, LLC (Southern Shores), provide water services to approximately 37,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Tidewater's subsidiary, White Marsh, services approximately 4,600 customers in Kent and Sussex Counties through various operations and maintenance contracts.

Our Tidewater Environmental Services, Inc. (TESI) subsidiary provides wastewater services to approximately 2,400 residential retail customers in Kent and Sussex Counties, Delaware. We expect the growth of our regulated wastewater operations in Delaware will eventually become a more significant component of our operations.

Our Pennsylvania subsidiary, Twin Lakes, provides water services to approximately 100 retail customers in the Township of Shohola, Pike County, Pennsylvania.

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

Recent Developments

Superstorm Sandy - During the last week of October 2012, our businesses, primarily in New Jersey, were impacted by Superstorm Sandy. The most significant impact was widespread power outages caused by the storm's heavy winds and rain. Because all of our critical water and wastewater facilities are equipped with emergency power generators, we were able to maintain service to our customers during the storm, as well as in its aftermath. The storm did not have a material adverse impact on our results of operations, financial position or cash flows. Claims for damages and any associated losses have been submitted to our insurance carriers. We anticipate that claims which may not be covered by insurance are recoverable through the regulatory rate setting process.

Strategy

Our strategy is focused on four key areas:

- Serve as a trusted and continually-improving provider of safe, reliable and cost-effective water, wastewater and related services;
- Provide a comprehensive suite of water and wastewater solutions in the continually-developing Delaware market that results in profitable growth;
- Pursue profitable growth in our core states of New Jersey and Delaware, as well as additional states; and
- Invest in products, services and other viable opportunities that complement our core competencies.

Rates

Middlesex - In July 2012, the New Jersey Board of Public Utilities (NJBPU) approved an \$8.1 million increase in Middlesex's annual base water rates. A base rate increase request of \$11.3 million was filed in January 2012 seeking recovery of increased costs of operations, chemicals, fuel, electricity, taxes, labor and benefits and decreases in industrial and commercial customer demand patterns, as well as capital investment in utility plant. The new base rates are designed to generate sufficient revenue to recover these increased costs and offset the lower customer demands, as well as provide a return on invested capital in rate base of \$202.4 million, based on a return on equity of 10.15%. The rate increase became effective on July 20, 2012.

In November 2012, Middlesex filed a petition with the NJBPU seeking approval of foundational information (Foundational Filing) that would allow for the implementation of a Distribution System Improvement Charge (DSIC). A DSIC is a rate-mechanism that allows water utilities to recover investment in capital improvements to their water distribution system made between base rate proceedings. In February 2013, the Foundational Filing was approved by the NJBPU, which allows Middlesex to implement a DSIC rate in September 2013 to recover costs for qualifying projects that are placed in service in the six-month post-approval period. The DSIC rate is allowed to increase in three subsequent six month periods for any additional qualifying projects placed in service during those time periods. The maximum annual revenues allowed to be recovered under the approved Foundational Filing is \$1.4 million.

In September 2012, Middlesex filed an application with the NJBPU seeking permission to establish a Purchased Water Adjustment Clause (PWAC) and implement a tariff rate sufficient to recover increased costs of \$0.1 million to purchase untreated water from the New Jersey Water Supply Authority and treated water from a non-affiliated regulated water utility. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request.

In March 2010, the NJBPU granted an increase in Middlesex's annual operating revenues of 13.57%, or \$7.8 million. The increase was necessitated by increased costs, as well as to provide a return on invested capital in rate base of \$180.3 million based on a return on equity of 10.30%.

Tidewater – In June 2012, the Delaware Public Service Commission (DEPSC) approved a \$3.9 million increase in Tidewater's annual base water rates. A base rate increase request of \$6.9 million was filed in September 2011 seeking recovery of increased costs for operations, maintenance and taxes, as well as capital investment. Under DEPSC regulations, Tidewater had implemented interim rates in November 2011, which amounted to approximately \$2.5 million on an annual basis. The new final base rates reflect the remaining \$1.4 million and became effective June 19, 2012.

Effective January 1, 2013, Tidewater implemented a DEPSC approved \$0.1 million DSIC rate increase.

TESI – In November 2012, TESI filed an application with the DEPSC seeking approval to purchase all of the utility assets of the 600 customer wastewater system serving the residents of the Plantations development (the Plantations) in Rehoboth Beach, Delaware. The application also requests the transfer of the wastewater franchise from the current owner to TESI. In connection with this transaction, TESI also filed an application with DEPSC seeking an approximate \$0.1 million increase in the Plantations' residents base wastewater rates. The purchase, and subsequent operation, of the Plantation's wastewater system is contingent, among other things, upon the DEPSC's approval of both applications. We cannot predict whether the DEPSC will ultimately approve or deny the purchase and base rate increase. A decision by the DEPSC is not expected until the third quarter of 2013.

In June 2012, the DEPSC approved a \$0.6 million increase in TESI's annual base wastewater rates, a portion of which is to be phased in through 2015. A base rate increase request of \$0.8 million was filed in July 2011 seeking recovery of increased operation and maintenance costs, as well as capital investment. Under DEPSC regulations, TESI had implemented interim rates in September 2011, which amounted to approximately \$0.1 million on an annual basis. The new final base rates became effective June 5, 2012.

Pinelands – In August 2012, Pinelands Water and Pinelands Wastewater filed petitions with the NJBPU seeking permission to increase base rates by approximately \$0.2 million and \$0.1 million per year, respectively. These requests were made as a result of capital investments as well as increased operations and maintenance costs for both companies. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request. A decision by the NJBPU is not expected until the second quarter of 2013.

Southern Shores – Effective June 1, 2011, the DEPSC approved a multi-year agreement for a phased-in base rate increase for Southern Shores. This increase was made as a result of capital investment in the upgrade and renovation of Southern Shores' primary water treatment facilities, as well as by increased operating costs. Under the terms of the agreement, which expires in 2020, customer rates will increase on January 1st of each year to generate additional annual revenue of \$0.1 million with each increase.

Twin Lakes - The Pennsylvania Public Utilities Commission approved a \$0.1 million, three-year phased-in base rate increase effective March 3, 2012. This increase was designed to recover capital investment in the upgrade and renovation of the Twin Lakes System, as well as increased operating costs.

Outlook

Revenues for 2013 are expected to be favorably impacted by the full year effect of approved 2012 base rate increases for Middlesex, Tidewater, TESI, Southern Shores and Twin Lakes. The Pinelands Water and Pinelands Wastewater base rate increase requests should also contribute to additional revenues in 2013 as well as the Tidewater DSIC and the Middlesex PWAC and DSIC. Both Middlesex and Tidewater believe it will be necessary to file for an increase in their base rates in 2013. The rate increases that Pinelands Water, Pinelands Wastewater, Tidewater and Middlesex filed, or expect to file, have not yet been approved by each company's respective utility commission. There can be no assurances that the requested rate increases will be approved in whole or in part or when the final decisions will be rendered.

Middlesex has received notification from the Borough of Sayreville, New Jersey (Sayreville), one of Middlesex's wholesale contract customers, that Sayreville will not be renewing its contract for the purchase of water from Middlesex. In accordance with the terms, this contract will remain in effect through August 12, 2013. Middlesex is exploring options with Sayreville for its ongoing emergency water supply requirements. Gross operating revenues from water sales to Sayreville amounted to \$1.9 million in 2012. In addition, Hess Corporation (Hess), Middlesex's largest retail water customer, has announced it intends to cease its oil refining operations at its Port Reading, New Jersey facility as early as of the end of February 2013. Revenues from Hess amounted to \$2.6 million in 2012. Revenue reductions from either of these customers may accelerate the need for Middlesex to file a base rate increase Petition with the NJBPU.

Ongoing economic conditions continue to negatively impact our customers' water consumption, particularly the level of water usage by our commercial and industrial customers in our Middlesex system. We are unable to determine when these customers' water demands may fully return to previous levels, or if a reduced level of demand will continue indefinitely. We were given appropriate recognition for a portion of this decrease in customer consumption in Middlesex's March 2010 and July 2012 rate increases.

Revenues and earnings are influenced by weather. Changes in usage patterns, as well as increases in capital expenditures and operating costs, are the primary factors in determining the need for rate increase requests. We continue to implement plans to streamline operations and reduce operating costs.

As a result of ongoing challenging economic conditions impacting the pace of new residential home construction, there may be an increase in the amount of preliminary survey and investigation (PS&I) costs that will not be currently recoverable in rates. If it is determined that recovery is unlikely, the applicable PS&I costs will be charged against income in the period of determination.

Improved performance in 2012 on our investment of retirement plan funds, partially offset by a lower discount rate, is expected to result in lower employee benefit plan expense and cash contributions in 2013. See Note 7 of the Notes to Consolidated Financial Statements for further discussion of Employee Benefit Plans.

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

Operating Results by Segment

The Company has two operating segments, Regulated and Non-Regulated. Our Regulated segment contributed approximately 89%, 90% and 90% of total revenues, and approximately 93%, 91% and 92% of net income for the years ended December 31, 2012, 2011 and 2010, respectively. The discussion of the Company's results of operations is on a consolidated basis, and includes significant factors by subsidiary. The segments in the tables included below are comprised of the following companies: Regulated- Middlesex, Tidewater, Pinelands, Southern Shores, TESI and Twin Lakes; Non-Regulated- USA, USA-PA, and White Marsh.

Results of Operations in 2012 Compared to 2011

	(Millions of Dollars)					
	Years ended December 31,					
	2012			2011		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	\$ 97.8	\$ 12.6	\$ 110.4	\$ 91.5	\$ 10.6	\$ 102.1
Operations and maintenance	50.1	10.4	60.5	47.8	8.8	56.6
Depreciation	10.2	0.2	10.4	9.7	0.1	9.8
Other taxes	11.6	0.3	11.9	11.2	0.3	11.5
Operating income	\$ 25.9	\$ 1.7	\$ 27.6	\$ 22.8	\$ 1.4	\$ 24.2
Other income, net	0.8	0.1	0.9	1.2	0.9	2.1
Interest expense	6.6	0.1	6.7	6.3	0.1	6.4
Income taxes	6.6	0.8	7.4	5.5	1.0	6.5
Net income	\$ 13.5	\$ 0.9	\$ 14.4	\$ 12.2	\$ 1.2	\$ 13.4

Operating Revenues

Operating revenues for the year ended December 31, 2012 increased \$8.3 million from the same period in 2011. This increase was attributable to the following factors:

- Middlesex System revenues increased \$2.7 million, primarily due to:
 - Sales to general meter service customers increased by \$2.1 million, primarily due to the July 2012 base water rate increase; and
 - Contract Sales to Municipalities increased by \$0.6 million, primarily due to the July 2012 base water rate;
- Tidewater System revenues increased \$3.3 million, primarily due to interim and final rate increases that went into effect in November 2011 and June 2012, respectively, and increased connection fees;
- USA's revenues increased \$1.5 million, primarily due to revenues earned under contracts to operate the Avalon water utility, sewer utility and storm water systems and the Sunoco Eagle Point Biological Wastewater Treatment Facility, both of which commenced in 2012;
- USA-PA's revenues increased \$0.6 million, primarily from scheduled increases in the fixed fees paid under contract with Perth Amboy;
- Revenues in Southern Shores, TESI and Twin Lakes collectively increased \$0.3 million, primarily due to rate increases that went into effect in 2012; and
- Revenues from all other subsidiaries decreased \$0.1 million.

Operation and Maintenance Expense

Operation and maintenance expenses for the year ended December 31, 2012 increased \$3.8 million from the same period in 2011. This increase was related to the following factors:

- Employee benefit expenses increased \$2.6 million due to changes in certain postretirement benefit plan actuarial assumptions, including a lower discount rate and revised plan participant mortality factors, as well as a lower actual return on assets held in our retirement plan funds;
- Labor costs increased \$0.6 million due to higher average labor rates, additional personnel hired for USA's new contract operations serving Avalon and the Sunoco Eagle Point Biological Wastewater Treatment Facility and lower capitalized payroll. These increases were partially offset by a reduction of employee positions in our Delaware workforce and less overtime expended on emergency repairs;
- Expenditures for start-up activities and billable additional services under USA's new contract operations serving Avalon and the Sunoco Eagle Point Biological Wastewater Treatment Facility resulted in a \$0.5 million increase; and
- Operation and maintenance expenses for all other categories increased \$0.1 million.

Depreciation

Depreciation expense for the year ended December 31, 2012 increased \$0.7 million from the same period in 2011 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the year ended December 31, 2012 increased \$0.4 million from the same period in 2011, primarily due to increased revenue related taxes on higher revenues in our Middlesex system.

Other Income, net

Other Income, net for the year ended December 31, 2012 decreased \$1.3 million from the same period in 2011, primarily due to a gain of \$0.7 million recognized in the third quarter of 2011 resulting from the sale of USA's LineCare contracts to HomeServe and lower Allowance for Funds Used During Construction, resulting from lower average construction work in progress balances.

Interest Charges

Interest charges for the year ended December 31, 2012 increased \$0.3 million from the same period in 2011, primarily due to higher average short and long term debt outstanding in 2012 as compared to 2011.

Income Taxes

Income taxes for the year ended December 31, 2012 increased \$0.9 million from the same period in 2011, due to increased operating income in 2012 as compared to 2011.

Net Income and Earnings Per Share

Net income for the year ended December 31, 2012 increased \$0.9 million from the same period in 2011. Basic and diluted earnings per share increased to \$0.90 for the year ended December 31, 2012 as compared to \$0.85 and \$0.84, respectively for the year ended December 31, 2011.

Results of Operations in 2011 Compared to 2010

	(Millions of Dollars)					
	Years ended December 31,					
	2011			2010		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	\$ 91.5	\$ 10.6	\$ 102.1	\$ 92.0	\$ 10.7	\$ 102.7
Operations and maintenance	47.8	8.8	56.6	47.0	8.5	55.5
Depreciation	9.7	0.1	9.8	9.1	0.1	9.2
Other taxes	11.2	0.3	11.5	11.1	0.3	11.4
Operating income	\$ 22.8	\$ 1.4	\$ 24.2	\$ 24.8	\$ 1.8	\$ 26.6
Other income, net	1.2	0.9	2.1	1.1	0.3	1.4
Interest expense	6.3	0.1	6.4	6.8	0.1	6.9
Income taxes	5.5	1.0	6.5	6.0	0.8	6.8
Net income	\$ 12.2	\$ 1.2	\$ 13.4	\$ 13.1	\$ 1.2	\$ 14.3

Operating Revenues

Operating revenues for the year ended December 31, 2011 decreased \$0.6 million from the same period in 2010. This decrease was primarily related to the following factors:

- Middlesex System revenues decreased \$0.3 million, primarily due to the following:
 - Lower consumption by our residential and contract customers resulting from cooler temperatures and higher precipitation during the summer of 2011 as compared to 2010;
 - Decreased contract sales due to the ending of a temporary contract to supply water to the City of Perth Amboy in 2010; offset by
 - Increased sales to industrial customers;
- Tidewater System revenues decreased \$0.4 million, primarily due to the following:
 - Lower consumption attributable to similar unfavorable weather patterns experienced in the Middlesex System in 2011 as compared to 2010;
 - Lower connection fees resulting from a depressed housing market; offset by
 - Increased fixed service charges for new customers;

- White Marsh's revenues decreased \$0.2 million primarily due to the expiration of a wastewater operations contract in August 2011;
- With the transfer of USA's LineCare contracts to HomeServe, USA's revenues decreased \$0.2 million. USA now earns a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts;
- Scheduled increases in the fixed fees paid under contract with Perth Amboy increased USA-PA's revenues by \$0.4 million; and
- Southern Shores revenues increased \$0.1 million due to the implementation of a June 2011 rate increase.

Operation and Maintenance Expense

Operation and maintenance expenses for the year ended December 31, 2011 increased \$1.1 million from the same period in 2010. This increase was primarily related to the following factors:

- Labor costs increased \$0.3 million due to annual wage increases and lower capitalized labor;
- Employee healthcare costs and postretirement benefit plan expenses increased \$1.1 million;
- Increased net costs of \$0.3 million from the implementation of a company wide information technology platform;
- Scheduled increases in subcontractor charges of \$0.3 million at our USA-PA subsidiary;
- Increased transportation charges of \$0.1 million due to higher average gasoline prices;
- Unfavorable weather resulted in lower consumption which decreased production costs by \$0.5 million;
- Decreased water main break costs of \$0.6 million, as we experienced less severe, and a lower number of, main breaks in 2011 as compared to 2010; and
- All other operating and maintenance expense categories increased \$0.1 million.

Depreciation

Depreciation expense for the year ended December 31, 2011 increased \$0.6 million from the same period in 2010 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the year ended December 31, 2011 increased \$0.1 million from the same period in 2010, primarily due to increased real estate taxes and higher payroll taxes on increased employee wages.

Other Income, net

Other Income, net for the year ended December 31, 2011 increased \$0.7 million from the same period in 2010, primarily due to:

- A gain of \$0.7 million as a result of the sale of USA's LineCare contracts to HomeServe;
- Allowance for Funds Used During Construction was lower in 2011 compared to 2010 (\$0.2 million) due to lower average construction work in progress balances; and
- All additional Other Income increased \$0.2 million.

Interest Charges

Interest charges for the year ended December 31, 2011 decreased \$0.5 million from the same period in 2010, primarily due to the following:

- Lower average short term debt outstanding and lower average interest rates in 2011 as compared to 2010; and
- Lower average interest rates on long term debt outstanding in 2011 as compared to 2010.

Income Taxes

Income taxes for the year ended December 31, 2011 decreased \$0.3 million from the same period in 2010, primarily due to lower pre-tax income.

Net Income and Earnings Per Share

Net income for the year ended December 31, 2011 decreased \$0.9 million from the same period in 2010. Basic and diluted earnings per share decreased to \$0.85 and \$0.84, respectively, for the year ended December 31, 2011 as compared to \$0.96 for the year ended December 31, 2010. In addition to the effect of the decrease in net income, earnings per share also decreased from a higher number of average shares outstanding in 2011 due to the Company's public offering of 1.9 million shares of common stock in June 2010.

Liquidity and Capital Resources

Cash flows from operations are largely based on four factors: weather, adequate and timely rate increases, effective cost management and customer growth. The effect of those factors on net income is discussed in the Results of Operations section above.

For the year ended December 31, 2012, cash flows from operating activities increased \$6.7 million to \$29.6 million. Increased earnings, lower receivables and timing of certain income tax payments were the primary reasons for the increase in cash flow. The \$29.6 million of net cash flow from operations enabled us to fund 100% of our utility plant expenditures internally for the period.

For the year ended December 31, 2011, cash flows from operating activities decreased \$2.7 million to \$22.8 million. As described more fully in the Results of Operations section above, decreased earnings was the primary reason for the decrease in cash flow. The \$22.8 million of net cash flow from operations enabled us to fund approximately 97% of our utility plant expenditures internally for the period.

Increases in certain operating costs impact our liquidity and capital resources. Pinelands Water and Pinelands Wastewater both filed for rate increases during the third quarter of 2012. Both Middlesex and Tidewater anticipate filing for a rate increase in 2013. There can be no assurances however, that the respective Utility Commissions will approve the pending or anticipated rate increase requests in whole or in part or when the decisions will be rendered. We continually monitor the need for timely rate filing to minimize the lag between the time we experience increased operating and capital costs and the time we receive appropriate rate relief.

Capital Expenditures and Commitments

To fund our capital program, we use internally generated funds, short term and long term debt borrowings and, when market conditions are favorable, proceeds from sales of common stock under our dividend reinvestment program (DRP) and offerings to the public.

The table below summarizes our estimated capital expenditures for the years 2013-2015.

	(Millions)			
	2013	2014	2015	2013-2015
Distribution System	14.3	11.7	14.7	\$ 40.7
Production System	5.5	8.8	11.7	26.0
Computer Systems	1.7	0.8	1.0	3.5
Other	1.2	0.8	0.8	2.8
Total Estimated Capital Expenditures	\$ 22.7	\$ 22.1	\$ 28.2	\$ 73.0

Our estimated capital expenditures for the items listed above are primarily comprised of the following:

- **Distribution System**-Projects associated with installation and relocation of water mains and service lines, construction of water storage tanks, installation and replacement of hydrants and meters and our RENEW Program, which is our initiative to clean and cement all unlined mains in the Middlesex System. In connection with our RENEW Program, we expect to annually spend \$4.0 million in 2013, 2014 and 2015.
- **Production System**-Projects associated with our water production and water treatment plants.

- **Computer Systems**-Purchase of hardware and software.
- **Other**-Purchase of vehicles and other transportation equipment, tools, furniture, laboratory equipment, security requirements and other general infrastructure needs.

The actual amount and timing of capital expenditures is dependent on customer growth, residential new home construction and sales and project scheduling.

To pay for our capital program in 2013, we plan on utilizing:

- Internally generated funds;
- Proceeds from the sale of common stock through the DRP;
- Funds available and held in trust under existing New Jersey State Revolving Fund (SRF) loans (currently, \$1.5 million) and Delaware SRF loans (currently, \$0.7 million) and, once the loan transaction is complete, proceeds from the 2013 New Jersey SRF program. SRF programs provide low cost financing for projects that meet certain water quality and system improvement benchmarks;
- Short-term borrowings, if necessary, through \$60.0 million of available lines of credit with several financial institutions. As of December 31, 2012, we had \$28.0 million outstanding against the lines of credit.

Sources of Liquidity

Short-term Debt. The Company had established lines of credit aggregating \$60.0 million throughout 2012. At December 31, 2012, the outstanding borrowings under these credit lines were \$28.0 million at a weighted average interest rate of 1.40%.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were \$25.5 million and \$20.7 million at 1.43% and 1.44% for the years ended December 31, 2012 and 2011, respectively.

Long-term Debt. Subject to regulatory approval, the Company periodically finances capital projects under SRF loan programs in New Jersey and Delaware. These government programs provide financing at interest rates that are typically below rates available in the broader financial markets. A portion of the borrowings under the New Jersey SRF is interest-free. We participated in the New Jersey SRF loan program during 2012 and expect to participate in the 2013 New Jersey SRF program for up \$4.0 million, with an expected closing date in May 2013.

In November 2012, Middlesex completed the transaction for the redemption and refinance of \$57.5 million of First Mortgage Bonds (Bonds). The Bonds were originally issued in five separate transactions or series under the loan program of the New Jersey Economic Development Authority (NJEDA) and were replaced with three new series of Bonds designated as Series QQ, RR and SS totaling \$55.4 million issued through the NJEDA, net of a \$2.2 million issuance premium. The restricted proceeds of the new Bonds were used to redeem \$51.5 million of the original Bonds in December 2012 and \$6.0 million of the original Bonds in January 2013. The NJEDA does not guarantee the debt. The tax-exempt nature of the interest paid to bondholders remains in place. The transaction was designed to extend the maturity date and reduce the interest cost for the underlying debt. Annual debt service expenses are expected to decline by approximately \$0.9 million.

In May 2012, Middlesex borrowed \$3.9 million through the New Jersey Environmental Infrastructure Trust under the New Jersey SRF loan program and issued Bonds designated as Series OO (\$3.0 million) and Series PP (\$0.9 million). The interest rate on the Series OO Bonds is zero and the interest rate on the Series PP Bonds ranges from 2.0% to 5.0% depending on the serial maturity date. The final maturity date for the Bonds is August 1, 2031. Proceeds may only be used for the Middlesex 2012 RENEW Program.

In December 2010, Middlesex issued \$4.0 million of first mortgage bonds through the New Jersey Environmental Infrastructure Trust under the New Jersey SRF program. The Company closed on the first mortgage bonds designated as Series MM and NN in December 2010. Proceeds may only be used for the Middlesex 2011 RENEW Program.

In March 2011, Tidewater closed on a \$2.8 million loan with the Delaware SRF program which allows, but does not obligate, Tidewater to draw against a General Obligation Note for a specific project. The interest rate on any draw will be set at 3.75% with a final maturity of July 1, 2031 on the amount actually borrowed. As of December 31, 2012, Tidewater has borrowed \$2.7 million against this loan and does not anticipate any future borrowings under this loan.

In March 2011, Southern Shores closed on a \$1.6 million loan with the Delaware SRF program, which allows, but does not obligate, Southern Shores to draw against a General Obligation Note for a specific project. The interest rate on any draw will be set at 3.75% with a final maturity of November 30, 2030 on the amount actually borrowed. As of December 31, 2012, Southern Shores has borrowed \$1.4 million against this loan and does not anticipate any future borrowings under this loan.

Substantially all of the Utility Plant of the Company is subject to the lien of its mortgage, which includes debt service and capital ratio covenants. The Company is in compliance with all of its mortgage covenants and restrictions.

Common Stock. In June 2010, the Company sold and issued 1.9 million shares of common stock in a public offering that was priced at \$15.21 per share. The net proceeds of approximately \$27.8 million were used to repay certain of the Company's short-term debt outstanding.

The Company periodically issues shares of common stock in connection with its DRP. The Company raised \$1.6 million through the issuance of 0.1 million shares under the DRP during 2012.

Contractual Obligations

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

The table below presents our known contractual obligations for the periods specified as of December 31, 2012.

	Payment Due by Period (Millions of Dollars)				
	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Long-term Debt*	\$ 140.4	\$ 11.1	\$ 10.5	\$ 10.9	\$ 107.9
Notes Payable	28.0	28.0	—	—	—
Interest on Long-term Debt	90.3	5.4	10.9	10.0	64.0
Purchased Water Contracts	36.2	5.4	10.9	5.4	14.5
Wastewater Operations	31.9	5.0	10.4	11.0	5.5
Total	\$ 326.8	\$ 54.9	\$ 42.7	\$ 37.3	\$ 191.9

*Does not include Premium on Long-term Debt

The table above does not reflect any anticipated cash payments for postretirement benefit plan obligations. The effect on the timing and amount of these payments resulting from potential changes in actuarial assumptions and returns on plan assets cannot be estimated. In 2012, the Company contributed \$7.6 million to its postretirement benefit plans and expects to contribute a similar amount in 2013.

Critical Accounting Policies and Estimates

The application of accounting policies and standards often requires the use of estimates, assumptions and judgments. The Company regularly evaluates these estimates, assumptions and judgments, including those related to the calculation of pension and postretirement benefits, unbilled revenues, and the recoverability of certain assets, including regulatory assets. The Company bases its estimates, assumptions and judgments on historical experience and current operating environment. Changes in any of the variables that are used for the Company's estimates, assumptions and judgments may lead to significantly different financial statement results.

Our critical accounting policies are set forth below.

Regulatory Accounting

We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for approximately 89% of Operating Revenues and 98% of Total Assets, are subject to regulation in the states in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance in the Financial Accounting Standards Board Accounting Standards Codification Topic 980 *Regulated Operations* (Regulatory Accounting).

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

Revenues

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

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

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

Postretirement Benefit Plans

The costs for providing postretirement benefits are dependent upon numerous factors, including actual plan experience and assumptions of future experience. Future postretirement benefit plan obligations and expense will depend on future investment performance, changes in future discount rates and various other demographic factors related to the population participating in the Company's postretirement benefit plans, all of which can change significantly in future years.

We maintain a noncontributory defined benefit pension plan (Pension Plan) which covers all currently active employees who were hired prior to March 31, 2007. In addition, the Company maintains an unfunded supplemental plan for its executive officers.

The Company has a postretirement benefit plan other than pensions (Other Benefits Plan) for substantially all of its retired employees. Employees hired after March 31, 2007 are not eligible to participate in the Other Benefits Plan. Coverage includes healthcare and life insurance.

The allocation by asset category of postretirement benefit plan assets at December 31, 2012 and 2011 is as follows:

Asset Category	Pension Plan		Other Benefits Plan		Target	Range
	2012	2011	2012	2011		
Equity Securities	60.9%	61.6%	40.3%	37.0%	60%	30-65%
Debt Securities	32.9%	31.3%	53.0%	57.8%	38%	25-70%
Cash	6.0%	6.9%	5.9%	4.6%	2%	0-10%
Commodities	0.2%	0.2%	0.8%	0.6%	0%	0%
Total	100.0%	100.0%	100.0%	100.0%		

The discount rate, compensation increase rate and long-term rate of return utilized for determining our postretirement benefit plans' future obligations as of December 31, 2012 are as follows:

	Pension Plan	Other Benefits Plan
Discount Rate	3.99%	3.99%
Compensation Increase	3.00%	3.00%
Long-term Rate of Return	7.50%	7.50%

For the 2012 valuation, costs and obligations for our Other Benefits Plan assumed a 9.0% annual rate of increase in the per capita cost of covered healthcare benefits in 2013 with a decline of 1.0% per year for 2014-2016 and 0.5% per year for 2017-2018, resulting in an annual rate of increase in the per capita cost of covered healthcare benefits of 5% by year 2018.

The following is a sensitivity analysis for certain actuarial assumptions used in determining projected benefit obligations (PBO) and expenses for our postretirement benefit plans:

Pension Plan

Actuarial Assumptions	Estimated Increase/ (Decrease) on PBO (000s)	Estimated Increase/ (Decrease) on Expense (000s)
Discount Rate 1% Increase	\$ (9,140)	\$ (864)
Discount Rate 1% Decrease	11,662	1,059

Other Benefits Plan

Actuarial Assumptions	Estimated Increase/ (Decrease) on PBO (000s)	Estimated Increase/ (Decrease) on Expense (000s)
Discount Rate 1% Increase	\$ (8,389)	\$ (869)
Discount Rate 1% Decrease	10,997	1,103
Healthcare Cost Trend Rate 1% Increase	9,560	1,450
Healthcare Cost Trend Rate 1% Decrease	(7,477)	(1,120)

The discount rates used at our December 31 measurement date for determining future postretirement benefit plans' obligations and costs are determined based on market rates for long-term, high-quality corporate bonds specific to our Pension Plan and Other Benefits Plan's asset allocation. The expected long-term rate of return for Pension Plan and Other Benefits Plan assets is determined based on historical returns and our asset allocation.

Recent Accounting Standards

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

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to market risk associated with changes in interest rates and commodity prices. The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have final maturity dates ranging from 2018 to 2047. Over the next twelve months, approximately \$11.1 million of the current portion of 37 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 our earnings.

Our risks associated with commodity price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the ability to recover price increases through rates. Non-performance by these commodity suppliers could have a material adverse impact on our results of operations, financial position and cash flows.

We are exposed to credit risk through for both our Regulated and Non-Regulated business segments. Our Regulated operations serve residential, commercial, industrial and municipal customers while our Non-Regulated operations engage in business activities with developers, government entities and other customers. Our primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. Our credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. Our credit portfolio is diversified with no significant customer or industry concentrations. In addition, our Regulated businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's postretirement benefit plan assets are exposed to the market prices of debt and equity securities. Changes to the Company's postretirement benefit plan assets' value can impact the Company's postretirement benefit plan expense, funded status and future minimum funding requirements. Our risk is reduced through our ability to recover postretirement benefit plan costs through rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
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 (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of income, common stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Middlesex Water Company as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Middlesex Water Company’s internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 7, 2013 expressed an unqualified opinion.

/s/ ParenteBeard LLC

Reading, Pennsylvania

March 7, 2013

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS		December 31, 2012	December 31, 2011
UTILITY PLANT:	Water Production	\$ 129,840	\$ 127,827
	Transmission and Distribution	343,074	326,629
	General	54,830	47,519
	Construction Work in Progress	7,834	12,575
	TOTAL	535,578	514,550
	Less Accumulated Depreciation	100,360	92,351
	UTILITY PLANT - NET	435,218	422,199
CURRENT ASSETS:	Cash and Cash Equivalents	3,025	3,106
	Accounts Receivable, net	12,447	11,280
	Unbilled Revenues	5,483	4,842
	Materials and Supplies (at average cost)	1,403	2,023
	Prepayments	2,255	1,622
	TOTAL CURRENT ASSETS	24,613	22,873
DEFERRED CHARGES AND OTHER ASSETS:	Unamortized Debt Expense	3,606	2,611
	Preliminary Survey and Investigation Charges	5,117	5,179
	Regulatory Assets	72,831	67,302
	Operations Contracts, Developer and Other Receivables	1,692	5,300
	Restricted Cash	9,019	3,260
	Non-utility Assets - Net	9,182	8,182
	Other	448	630
	TOTAL DEFERRED CHARGES AND OTHER ASSETS	101,895	92,464
	TOTAL ASSETS	\$ 561,726	\$ 537,536
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	\$ 143,572	\$ 141,432
	Retained Earnings	38,060	35,549
	TOTAL COMMON EQUITY	181,632	176,981
	Preferred Stock	3,353	3,353
	Long-term Debt	131,467	132,167
	TOTAL CAPITALIZATION	316,452	312,501
CURRENT LIABILITIES:	Current Portion of Long-term Debt	11,130	4,569
	Notes Payable	27,950	24,250
	Accounts Payable	3,808	5,706
	Accrued Taxes	9,266	7,847
	Accrued Interest	955	1,628
	Unearned Revenues and Advanced Service Fees	756	734
	Other	2,067	1,953
	TOTAL CURRENT LIABILITIES	55,932	46,687
COMMITMENTS AND CONTINGENT LIABILITIES (Note 4)			
DEFERRED CREDITS AND OTHER LIABILITIES:	Customer Advances for Construction	21,990	21,944
	Accumulated Deferred Investment Tax Credits	1,068	1,146
	Accumulated Deferred Income Taxes	41,776	37,022
	Employee Benefit Plans	54,768	51,006
	Regulatory Liability - Cost of Utility Plant Removal	8,811	8,029
	Other	973	995
	TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	129,386	120,142
CONTRIBUTIONS IN AID OF CONSTRUCTION		59,956	58,206
	TOTAL CAPITALIZATION AND LIABILITIES	\$ 561,726	\$ 537,536

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share amounts)

	Years Ended December 31,		
	2012	2011	2010
Operating Revenues	\$ 110,379	\$ 102,069	\$ 102,735
Operating Expenses:			
Operations and Maintenance	60,458	56,634	55,481
Depreciation	10,409	9,746	9,244
Other Taxes	11,865	11,488	11,413
Total Operating Expenses	82,732	77,868	76,138
Operating Income	27,647	24,201	26,597
Other Income (Expense):			
Allowance for Funds Used During Construction	484	821	970
Other Income	517	1,523	912
Other Expense	(144)	(195)	(438)
Total Other Income, net	857	2,149	1,444
Interest Charges	6,725	6,376	6,925
Income before Income Taxes	21,779	19,974	21,116
Income Taxes	7,383	6,527	6,786
Net Income	14,396	13,447	14,330
Preferred Stock Dividend Requirements	206	206	207
Earnings Applicable to Common Stock	\$ 14,190	\$ 13,241	\$ 14,123
Earnings per share of Common Stock:			
Basic	\$ 0.90	\$ 0.85	\$ 0.96
Diluted	\$ 0.90	\$ 0.84	\$ 0.96
Average Number of Common Shares Outstanding :			
Basic	15,733	15,615	14,654
Diluted	15,995	15,877	14,916
Cash Dividends Paid per Common Share	\$ 0.743	\$ 0.733	\$ 0.723

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 14,396	\$ 13,447	\$ 14,330
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	11,232	10,432	9,958
Provision for Deferred Income Taxes and ITC	3,959	2,098	630
Equity Portion of AFUDC	(309)	(523)	(611)
Cash Surrender Value of Life Insurance	(151)	(92)	104
Stock Compensation Expense	553	394	323
Changes in Assets and Liabilities:			
Accounts Receivable	2,441	(28)	(2,222)
Unbilled Revenues	(641)	(90)	(328)
Materials & Supplies	620	173	(578)
Prepayments	(633)	(221)	(292)
Accounts Payable	(1,898)	(697)	2,055
Accrued Taxes	1,419	(905)	3,066
Accrued Interest	(673)	30	(263)
Employee Benefit Plans	270	(1,591)	(1,904)
Unearned Revenue & Advanced Service Fees	22	(130)	3
Other Assets and Liabilities	(1,035)	539	1,294
NET CASH PROVIDED BY OPERATING ACTIVITIES	29,572	22,836	25,565
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures, Including AFUDC of \$175 in 2012, \$299 in 2011 and \$359 in 2010	(21,578)	(23,562)	(29,604)
Restricted Cash	464	3,796	(1,790)
Investment in Joint Venture	(1,200)	(300)	—
NET CASH USED IN INVESTING ACTIVITIES	(22,314)	(20,066)	(31,394)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	(56,725)	(4,427)	(4,314)
Proceeds from Issuance of Long-term Debt	60,350	3,447	13,970
Net Short-term Bank Borrowings	3,700	7,250	(25,850)
Deferred Debt Issuance Expense	(1,160)	(37)	(25)
Premium on Long-term Debt	2,236		
Restricted Cash	(6,223)	—	—
Common Stock Issuance Expense	—	—	(133)
Repurchase of Preferred Stock	—	(9)	(11)
Proceeds from Issuance of Common Stock	1,587	1,504	29,845
Payment of Common Dividends	(11,679)	(11,437)	(10,510)
Payment of Preferred Dividends	(206)	(206)	(207)
Construction Advances and Contributions-Net	781	1,798	1,239
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(7,339)	(2,117)	4,004
NET CHANGES IN CASH AND CASH EQUIVALENTS	(81)	653	(1,825)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,106	2,453	4,278
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,025	\$ 3,106	\$ 2,453
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:			
Utility Plant received as Construction Advances and Contributions	\$ 1,015	\$ 7,393	\$ 2,043
Long-term Debt Deobligation	\$ 255	\$ 560	\$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:			
Cash Paid During the Year for:			
Interest	\$ 7,537	\$ 6,336	\$ 7,155
Interest Capitalized	\$ 175	\$ 299	\$ 359
Income Taxes	\$ 2,349	\$ 4,733	\$ 4,617

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITAL STOCK
AND LONG-TERM DEBT
(In thousands)

	December 31, 2012	December 31, 2011
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares Outstanding - 2012 - 15,795	\$ 143,572	\$ 141,432
2011 - 15,682		
Retained Earnings	38,060	35,549
TOTAL COMMON EQUITY	\$ 181,632	\$ 176,981
Cumulative Preferred Stock, No Par Value:		
Shares Authorized - 134		
Shares Outstanding - 32		
Convertible:		
Shares Outstanding, \$7.00 Series - 14	1,457	1,457
Shares Outstanding, \$8.00 Series - 7	816	816
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1	80	80
Shares Outstanding, \$4.75 Series - 10	1,000	1,000
TOTAL PREFERRED STOCK	\$ 3,353	\$ 3,353
Long-term Debt:		
8.05%, Amortizing Secured Note, due December 20, 2021	\$ 2,169	\$ 2,319
6.25%, Amortizing Secured Note, due May 19, 2028	6,475	6,895
6.44%, Amortizing Secured Note, due August 25, 2030	4,947	5,227
6.46%, Amortizing Secured Note, due September 19, 2031	5,227	5,507
4.22%, State Revolving Trust Note, due December 31, 2022	506	546
3.30% to 3.60%, State Revolving Trust Note, due May 1, 2025	3,413	3,623
3.49%, State Revolving Trust Note, due January 25, 2027	602	633
4.03%, State Revolving Trust Note, due December 1, 2026	784	825
4.00% to 5.00%, State Revolving Trust Bond, due August 1, 2021	388	434
0.00%, State Revolving Fund Bond, due August 1, 2021	320	359
3.64%, State Revolving Trust Note, due July 1, 2028	347	364
3.64%, State Revolving Trust Note, due January 1, 2028	116	122
3.45%, State Revolving Trust Note, due August 1, 2031	397	39
6.59%, Amortizing Secured Note, due April 20, 2029	5,697	6,046
7.05%, Amortizing Secured Note, due January 20, 2030	4,271	4,521
5.69%, Amortizing Secured Note, due January 20, 2030	8,761	9,273
3.75%, State Revolving Trust Note, due July 1, 2031	2,615	2,021
3.75%, State Revolving Trust Note, due November 30, 2030	1,388	1,404
First Mortgage Bonds:		
5.20%, Series S, due October 1, 2022	—	12,000
5.25%, Series T, due October 1, 2023	—	6,500
5.25%, Series V, due February 1, 2029	—	10,000
5.35%, Series W, due February 1, 2038	—	23,000
0.00%, Series X, due September 1, 2018	322	375
4.25% to 4.63%, Series Y, due September 1, 2018	355	410
0.00%, Series Z, due September 1, 2019	782	894
5.25% to 5.75%, Series AA, due September 1, 2019	955	1,080
0.00%, Series BB, due September 1, 2021	1,085	1,206
4.00% to 5.00%, Series CC, due September 1, 2021	1,275	1,400
5.10%, Series DD, due January 1, 2032	6,000	6,000
0.00%, Series EE, due August 1, 2023	4,386	4,804
3.00% to 5.50%, Series FF, due August 1, 2024	5,755	6,160
0.00%, Series GG, due August 1, 2026	1,262	1,352
4.00% to 5.00%, Series HH, due August 1, 2026	1,560	1,640
0.00%, Series II, due August 1, 2024	1,060	1,150
3.40% to 5.00%, Series JJ, due August 1, 2027	1,235	1,560
0.00%, Series KK, due August 1, 2028	1,435	1,526
5.00% to 5.50%, Series LL, due August 1, 2028	1,570	1,635
0.00%, Series MM, due August 1, 2030	1,801	1,901
3.00% to 4.375%, Series NN, due August 1, 2030	1,910	1,985
0.00%, Series OO, due August 1, 2031	2,860	—
2.00% to 5.00%, Series PP, due August 1, 2031	915	—
5.00%, Series QQ, due October 1, 2023	9,915	—
3.80%, Series RR, due October 1, 2038	22,500	—
4.25%, Series SS, due October 1, 2047	23,000	—
SUBTOTAL LONG-TERM DEBT	140,361	136,736
Add: Premium on Long Term Debt	2,236	—
Less: Current Portion of Long-term Debt	(11,130)	(4,569)

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance at January 1, 2010	13,519	\$ 109,366	\$ 30,265	\$ 139,631
Net Income			14,330	14,330
Dividend Reinvestment & Common Stock Purchase Plan	116	1,917		1,917
Restricted Stock Award, Net - Employees	14	299		299
Stock Award - Board Of Directors	2	24		24
Issuance of Common Stock	1,915	27,928		27,928
Cash Dividends on Common Stock			(10,510)	(10,510)
Cash Dividends on Preferred Stock			(207)	(207)
Common Stock Expenses			(133)	(133)
Balance at December 31, 2010	<u>15,566</u>	<u>\$ 139,534</u>	<u>\$ 33,745</u>	<u>\$ 173,279</u>
Net Income			13,447	13,447
Dividend Reinvestment & Common Stock Purchase Plan	82	1,504		1,504
Restricted Stock Award, Net - Employees	30	323		323
Stock Award - Board Of Directors	4	71		71
Cash Dividends on Common Stock			(11,437)	(11,437)
Cash Dividends on Preferred Stock			(206)	(206)
Balance at December 31, 2011	<u>15,682</u>	<u>\$ 141,432</u>	<u>\$ 35,549</u>	<u>\$ 176,981</u>
Net Income			14,396	14,396
Dividend Reinvestment & Common Stock Purchase Plan	86	1,587		1,587
Restricted Stock Award, Net - Employees	21	448		448
Stock Award - Board Of Directors	6	105		105
Cash Dividends on Common Stock			(11,679)	(11,679)
Cash Dividends on Preferred Stock			(206)	(206)
Balance at December 31, 2012	<u>15,795</u>	<u>143,572</u>	<u>38,060</u>	<u>181,632</u>

See Notes to Consolidated Financial Statements.

**MIDDLESEX WATER COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 1 – Organization, Summary of Significant Accounting Policies and Recent Developments

(a) Organization - Middlesex Water Company (Middlesex) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater), Tidewater Environmental Services, Inc. (TESI), Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands), Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy) Inc. (USA-PA) and Twin Lakes Utilities, Inc. (Twin Lakes). Southern Shores Water Company, LLC (Southern Shores) and White Marsh Environmental Systems, Inc. (White Marsh) are wholly-owned subsidiaries of Tidewater.

Middlesex Water Company has operated as a water utility in New Jersey since 1897, in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992 and in Pennsylvania, through our wholly-owned subsidiary, Twin Lakes, since 2009. We are in the business of collecting, treating, distributing and selling water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate New Jersey municipal water, wastewater and storm water systems under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. We also have an investment in a joint venture, Ridgewood Green RME, LLC, that is constructing, and will own and operate facilities, to optimize the production of electricity at the Village of Ridgewood, New Jersey wastewater treatment plant and other municipal facilities (full operation of the facilities is expected to begin in the second quarter of 2013). Our rates charged to customers for water and wastewater services, the quality of services we provide and certain other matters are regulated in New Jersey, Delaware and Pennsylvania by the New Jersey Board of Public Utilities (NJBPU), Delaware Public Service Commission (DEPSC) and Pennsylvania Public Utilities Commission (PAPUC), respectively. Our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

Certain reclassifications have been made to the prior year financial statements to conform with current period presentation.

(b) Principles of Consolidation – The financial statements for Middlesex and its wholly-owned subsidiaries (the Company) are reported on a consolidated basis. All significant intercompany accounts and transactions have been eliminated. Other financial investments in which the Company holds a 50% or less voting interest and cannot exercise control over the operation and policies of the investments are accounted for under the equity method of accounting. Under the equity method of accounting, the Company records its investment interests in Non Utility Assets and its percentage share of the earnings or losses of the investees in Other Income (Expense).

(c) System of Accounts – Middlesex, Pinelands Water and Pinelands Wastewater maintain their accounts in accordance with the Uniform System of Accounts prescribed by the NJBPU. Tidewater, TESI and Southern Shores maintain their accounts in accordance with DEPSC requirements. Twin Lakes maintains its accounts in accordance with PAPUC requirements.

(d) Regulatory Accounting - We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for 89% of Operating Revenues and 98% of Total Assets, are subject to regulation in the state in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance provided in Accounting Standards Codification (ASC) 980, *Regulated Operations*.

In accordance with ASC 980, *Regulated Operations*, costs and obligations are deferred if it is probable that these items will be recognized for rate-making purposes in future rates. Accordingly, we have recorded costs and obligations, which will be amortized over various future periods. Any change in the assessment of the probability of rate-making treatment will require us to change the accounting treatment of the deferred item. We have no reason to believe any of the deferred items that are recorded will be treated differently by the regulators in the future. For additional information, see Note 2 – Rate and Regulatory Matters.

(e) Postretirement Benefit Plans - We maintain a noncontributory defined benefit pension plan (Pension Plan) which covers substantially all active employees who were hired prior to March 31, 2007. In addition, the Company maintains an unfunded supplemental plan for its executive officers. The Company has a postretirement benefit plan other than pensions (Other Benefits Plan) for substantially all of its retired employees. Employees hired after March 31, 2007 are not eligible to participate in this plan. Coverage includes healthcare and life insurance.

The Company's costs for providing postretirement benefits are dependent upon numerous factors, including actual plan experience and assumptions of future experience. Postretirement benefit plan obligations and expense are determined based on investment performance, discount rates and various other demographic factors related to the population participating in the Company's postretirement benefit plans, all of which can change significantly in future years. For more information on the Company's Postretirement Benefit Plans, see Note 7 – Employee Benefit Plans.

(f) 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. The cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties is charged to the appropriate expense accounts. At December 31, 2012, there was no event or change in circumstance that would indicate that the carrying amount of any long-lived asset was not recoverable.

(g) Depreciation – Depreciation is computed by each regulated member of the Company utilizing a rate approved by the applicable regulatory authority. The Accumulated Provision for Depreciation is charged with the cost of property retired, less salvage. The following table sets forth the range of depreciation rates for the major utility plant categories used to calculate depreciation for the years ended December 31, 2012, 2011 and 2010. These rates have been approved by the NJBPU, DEPSC or PAPUC:

Source of Supply	1.15% - 3.44%	Transmission and Distribution (T&D):	
Pumping	2.87% - 5.39%	T&D – Mains	1.10% - 3.13%
Water Treatment	1.65% - 7.09%	T&D – Services	2.12% - 3.16%
General Plant	2.08% - 17.84%	T&D – Other	1.61% - 4.63%

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

(h) Preliminary Survey and Investigation (PS&I) Costs – In the design of water and wastewater systems that the Company ultimately intends to construct, own and operate certain expenditures are incurred to advance those project activities. These PS&I costs are recorded as deferred charges on the balance sheet because these costs are expected to be recovered through future rates charged to customers as the underlying projects are placed into service as utility plant. If it is subsequently determined that costs for a project recorded as PS&I are not recoverable through rates charged to our customers, the applicable PS&I costs are recorded as a charge to the income statement at that time.

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

Contributions in Aid of Construction (CIAC) – CIAC include direct non-refundable contributions of water utility plant and/or cash and the portion of CAC that becomes non-refundable.

CAC and CIAC are not depreciated in accordance with regulatory requirements. In addition, these amounts reduce the investment base for purposes of setting rates.

(j) Allowance for Funds Used During Construction (AFUDC) - Middlesex and its regulated subsidiaries capitalize AFUDC, which represents the cost of financing projects during construction. AFUDC is added to the construction costs of individual projects exceeding specific cost and construction period thresholds established for each company and then depreciated along with the rest of the utility plant's costs over its estimated useful life. AFUDC is calculated using each company's weighted cost of debt and equity as approved in their most recent respective regulatory rate order. The AFUDC rates for the years ended December 31, 2012, 2011 and 2010 for Middlesex and Tidewater are as follows:

	2012	2011	2010
Middlesex	7.34%	7.54%	7.54%
Tidewater	7.91%	8.24%	8.24%

(k) Accounts Receivable – We record bad debt expense based on historical write-offs combined with an evaluation of current conditions. The allowance for doubtful accounts was \$0.8 million and \$0.6 million at December 31, 2012 and 2011, respectively. Bad debt expense for the years ended December 31, 2012, 2011 and 2010 was \$0.7 million, \$0.7 million, \$0.6 million, respectively. Receivables not expected to be received in 2013 are included as non-current assets in Operations Contracts, Developer and Other Receivables.

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

Southern Shores is an unmetered system. Customers are billed a fixed service charge in advance at the beginning of each month and revenues are recognized as earned.

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

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

(n) Income Taxes - Middlesex files a consolidated federal income tax return for the Company and income taxes are allocated based on the separate return method. Investment tax credits have been deferred and are amortized over the estimated useful life of the related property. For more information on income taxes, see Note 3 – Income Taxes.

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

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

(q) Recent Accounting Pronouncements

Fair Value Measurements and Disclosures – In May 2011, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2011-04, which amends ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), to update guidance related to fair value measurements and disclosures as a step towards achieving convergence between generally accepted accounting principles and international financial reporting standards. ASU 2011-04 clarifies intent about application of existing fair value measurements and disclosures, changes certain requirements for fair value measurements and requires expanded disclosures. ASU 2011-04 was effective for interim and annual periods beginning after December 15, 2011. The Company's adoption of ASU 2011-04 resulted in expanded fair value disclosures and did not have any impact on the Company's results of operations, cash flows or financial position.

In January 2010, the FASB issued ASU 2010-06, which amends ASC 820, to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. ASU 2010-06 also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, ASU 2010-06 amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715, *Compensation – Retirement Benefits* to require that disclosures be provided by classes of assets instead of by major categories of assets. Adoption of ASU 2010-06 had no impact on the Company's results of operations, cash flows or financial position.

(r) Recent Developments

Superstorm Sandy - During the last week of October 2012, our businesses, primarily in New Jersey, were impacted by Superstorm Sandy. The most significant impact was widespread power outages caused by the storm's heavy winds and rain. Because all of our critical water and wastewater facilities are equipped with emergency power generators, we were able to maintain service to our customers during the storm, as well as in its aftermath. The storm did not have a material adverse impact on our results of operations, financial position or cash flows. Claims for damages and any associated losses have been submitted to our insurance carriers. We anticipate that claims which may not be covered by insurance are recoverable through the regulatory rate setting process.

Borough of Sayreville, New Jersey and Hess Corporation - Middlesex has received notification from the Borough of Sayreville, New Jersey (Sayreville), one of Middlesex's wholesale contract customers, that Sayreville will not be renewing its contract for the purchase of water from Middlesex. In accordance with the terms, this contract will remain in effect through August 12, 2013. Middlesex is exploring options with Sayreville for its ongoing emergency water supply requirements. Gross operating revenues from water sales to Sayreville amounted to \$1.9 million in 2012. In addition, Hess Corporation (Hess), Middlesex's largest retail water customer, has announced it intends to cease its oil refining operations at its Port Reading, New Jersey facility as early as of the end of February 2013. Revenues from Hess amounted to \$2.6 million in 2012. Revenue reductions from either of these customers may accelerate the need for Middlesex to file a base rate increase Petition with the NJBPU.

Note 2 - Rate and Regulatory Matters

Rate Matters

Middlesex - In July 2012, the NJBPU approved an \$8.1 million increase in Middlesex's annual base water rates. A base rate increase request of \$11.3 million was filed in January 2012 seeking recovery of increased costs of operations, chemicals, fuel, electricity, taxes, labor and benefits and decreases in industrial and commercial customer demand patterns, as well as capital investment in utility plant. The new base rates are designed to generate sufficient revenue to recover these increased costs and offset the lower customer demands, as well as provide a return on invested capital in rate base of \$202.4 million, based on a return on equity of 10.15%. The rate increase became effective on July 20, 2012.

In November 2012, Middlesex filed a petition with the NJBPU seeking approval of foundational information (Foundational Filing) that would allow for the implementation of a Distribution System Improvement Charge (DSIC). A DSIC is a rate-mechanism that allows water utilities to recover investment in capital improvements to their water distribution system made between base rate proceedings. In February 2013, the Foundational Filing was approved by the NJBPU, which allows Middlesex to implement a DSIC rate in September 2013 to recover costs for qualifying projects that are placed in service in the six-month post-approval period. The DSIC rate is allowed to increase in three subsequent six month periods for any additional qualifying projects placed in service during those time periods. The maximum annual revenues allowed to be recovered under the approved Foundational Filing is \$1.4 million.

In September 2012, Middlesex filed an application with the NJBPU seeking permission to establish a Purchased Water Adjustment Clause (PWAC) and implement a tariff rate sufficient to recover increased costs of \$0.1 million to purchase untreated water from the NJWSA and treated water from a non-affiliated regulated water utility. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request.

In March 2010, the NJBPU granted an increase in Middlesex's annual operating revenues of 13.57%, or \$7.8 million. The increase was necessitated by increased costs, as well as to provide a return on invested capital in rate base of \$180.3 million based on a return on equity of 10.30%.

Tidewater – In June 2012, the DEPSC approved a \$3.9 million increase in Tidewater's annual base water rates. A base rate increase request of \$6.9 million was filed in September 2011 seeking recovery of increased costs for operations, maintenance and taxes, as well as capital investment. Under DEPSC regulations, Tidewater had implemented interim rates in November 2011, which amounted to approximately \$2.5 million on an annual basis. The new final base rates reflect the remaining \$1.4 million and became effective June 19, 2012.

Effective January 1, 2013, Tidewater implemented a DEPSC approved \$0.1 million DSIC rate increase.

TESI – In November 2012, TESI filed an application with the DEPSC seeking approval to purchase all of the utility assets of the 600 customer wastewater system serving the residents of the Plantations development (the Plantations) in Rehoboth Beach, Delaware. The application also requests the transfer of the wastewater franchise from the current owner to TESI. In connection with this transaction, TESI also filed an application with DEPSC seeking an approximate \$0.1 million increase in the Plantations' residents base wastewater rates. The purchase, and subsequent operation, of the Plantation's wastewater system is contingent, among other things, upon the DEPSC's approval of both applications. We cannot predict whether the DEPSC will ultimately approve or deny the purchase and base rate increase. A decision by the DEPSC is not expected until the third quarter of 2013.

In June 2012, the DEPSC approved a \$0.6 million increase in TESI's annual base wastewater rates, a portion of which is to be phased in through 2015. A base rate increase request of \$0.8 million was filed in July 2011 seeking recovery of increased operation and maintenance costs, as well as capital investment. Under DEPSC regulations, TESI had implemented interim rates in September 2011, which amounted to approximately \$0.1 million on an annual basis. The new final base rates became effective June 5, 2012.

Pinelands – In August 2012, Pinelands Water and Pinelands Wastewater filed petitions with the NJBPU seeking permission to increase base rates by approximately \$0.2 million and \$0.1 million per year, respectively. These requests were made as a result of capital investments as well as increased operations and maintenance costs for both companies. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request. A decision by the NJBPU is not expected until the second quarter of 2013.

Southern Shores – Effective June 1, 2011, the DEPSC approved a multi-year agreement for a phased-in base rate increase for Southern Shores. This increase was made as a result of capital investment in the upgrade and renovation of Southern Shores' primary water treatment facilities, as well as by increased operating costs. Under the terms of the agreement, which expires in 2020, customer rates will increase on January 1st of each year to generate additional annual revenue of \$0.1 million with each increase.

Twin Lakes - The PAPUC approved a \$0.1 million, three-year phased-in base rate increase effective March 3, 2012. This increase was designed to recover capital investment in the upgrade and renovation of the Twin Lakes System, as well as increased operating costs.

Regulatory Matters

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

Regulatory Assets	(Thousands of Dollars)		Remaining Recovery Periods
	2012	2011	
Postretirement Benefits	\$ 53,142	\$ 49,735	Various
Income Taxes	17,866	17,151	Various
Rate Cases, Storm Costs, Tank Painting, and Other	1,823	416	2-9 years
Total	\$ 72,831	\$ 67,302	

Postretirement benefits include pension and other postretirement benefits that have been recorded on the Consolidated Balance Sheet in accordance with the guidance provided in ASC 715, *Compensation – Retirement Benefits*. These amounts represent obligations in excess of current funding, which the Company believes will be fully recovered in rates set by the regulatory authorities.

The recovery period for income taxes is dependent upon when the temporary differences between the tax and book treatment of various items reverse.

The Company uses composite depreciation rates for its regulated utility assets, which is currently an acceptable method under generally accepted accounting principles and is widely used in the utility industry. Historically, under the composite depreciation method, the anticipated costs of removing assets upon retirement are provided for over the life of those assets as a component of depreciation expense. The Company recovers certain asset retirement costs through rates charged to customers as an approved component of depreciation expense. As of December 31, 2012 and 2011, the Company has approximately \$8.8 million and \$8.0, respectively, of expected costs of removal recovered currently in rates in excess of actual costs incurred. These amounts are recorded as regulatory liabilities.

The Company is recovering in current rates acquisition premiums totaling \$0.6 million over the remaining lives of the underlying Utility Plant. These deferred costs have been included in rate base as utility plant and a return is being earned on the unamortized balances during the recovery periods.

Note 3 – Income Taxes

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

	(Thousands of Dollars)		
	2012	2011	2010
Income Tax at Statutory Rate	\$ 7,420	\$ 6,816	\$ 7,224
Tax Effect of:			
Utility Plant Related	(442)	(620)	(826)
State Income Taxes – Net	420	305	336
Employee Benefits	(23)	1	33
Other	8	25	19
Total Income Tax Expense	\$ 7,383	\$ 6,527	\$ 6,786

Income tax expense is comprised of the following:

	(Thousands of Dollars)		
	Years Ended December 31,		
	2012	2011	2010
Current:			
Federal	\$ 2,994	\$ 3,550	\$ 5,584
State	430	395	481
Deferred:			
Federal	3,832	2,594	770
State	206	67	30
Investment Tax Credits	(79)	(79)	(79)
Total Income Tax Expense	\$ 7,383	\$ 6,527	\$ 6,786

The statutory review periods for income tax returns for the years prior to 2010 have been closed. An examination by the Internal Revenue Service of Middlesex's Federal income tax returns for 2007 and 2008 was completed during 2010 and resulted in a net refund, including interest, of less than \$0.1 million. The refund noted above was recorded to the appropriate current and deferred tax accounts and the interest was reported as other income. In the event that there is interest and penalties associated with income tax adjustments in future examinations, these amounts will be reported under interest expense and other expense, respectively. There are no unrecognized tax benefits resulting from prior period tax positions. The Company is not aware of any uncertain tax positions that could result in a future tax 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:

	(Thousands of Dollars)	
	December 31,	
	2012	2011
Utility Plant Related	\$ 39,020	\$ 35,135
Customer Advances	(3,673)	(3,737)
Employee Benefits	6,523	6,342
Investment Tax Credits (ITC)	1,068	1,146
Other	(94)	(718)
Total Deferred Tax Liability and ITC	\$ 42,844	\$ 38,168

Note 4 - Commitments and Contingent Liabilities

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

Middlesex also has an agreement with a non-affiliated regulated water utility for the purchase of treated water. This agreement, which expires February 27, 2016, provides for the minimum purchase of 3.0 mgd of treated water with provisions for additional purchases.

Purchased water costs are shown below:

Purchased Water	Years Ended December 31, (Millions of Dollars)		
	2012	2011	2010
Untreated	\$ 2.4	\$ 2.4	\$ 2.5
Treated	3.1	2.7	2.9
Total Costs	<u>\$ 5.5</u>	<u>\$ 5.1</u>	<u>\$ 5.4</u>

Contract Operations - USA-PA operates the City of Perth Amboy, New Jersey's (Perth Amboy) water and wastewater systems under a 20-year agreement, which expires in 2018. In connection with the agreement with Perth Amboy, USA-PA entered into a 20-year subcontract with a wastewater operating company for the operation and maintenance of the Perth Amboy wastewater collection system. The subcontract provides for the sharing of certain fixed and variable fees and operating expenses.

Construction –The Company may spend up to \$22.7 million in 2013, \$22.1 million in 2014 and \$28.2 million in 2015 on its construction program. The actual amount and timing of capital expenditures is dependent on customer growth, residential new home construction and sales and project scheduling. There is no assurance that projected customer growth and residential new home construction and sales will occur.

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

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

Note 5 – Short-term Borrowings

Information regarding the Company's short-term borrowings for the years ended December 31, 2012 and 2011 is summarized below:

	(Millions of Dollars)	
	2012	2011
Established Lines at Year-End	\$ 60.0	\$ 60.0
Maximum Amount Outstanding	29.0	24.3
Average Outstanding	25.5	20.7
Notes Payable at Year-End	28.0	24.3
Weighted Average Interest Rate	1.43%	1.44%
Weighted Average Interest Rate at Year-End	1.40%	1.33%

The maturity dates for the Notes Payable as of December 31, 2012 are all in January 2013 and are extendable at the discretion of the Company.

Interest rates for short-term borrowings are below the prime rate with no requirement for compensating balances.

Note 6 - Capitalization

All the transactions discussed below related to the issuance of securities were approved by either the NJBPU or DEPSC, except where otherwise noted.

Common Stock

In June 2010, the Company sold and issued 1.9 million shares of common stock in a public offering that was priced at \$15.21 per share. The net proceeds of approximately \$27.8 million were used to repay certain of the Company's short-term debt outstanding.

The number of shares authorized under the Dividend Reinvestment and Common Stock Purchase Plan (DRP) is 2.3 million shares. The cumulative number of shares issued under the DRP at December 31, 2012 is 2.1 million. For the years ended December 31, 2012, December 31, 2011 and December 31, 2010, the Company raised approximately \$1.6 million, \$1.5 million and \$1.9 million, respectively, through the issuance of shares under the DRP.

The Company issues shares under a restricted stock plan for certain management employees, which is described in Note 7 – Employee Benefit Plans.

The Company maintains a stock plan for its outside directors (the Outside Director Stock Compensation Plan). For the years ended December 31, 2012, December 31, 2011 and December 31, 2010, 5,768 shares, 3,833 shares and 1,416 shares, respectively, of common stock were granted and issued to the Company's outside directors under the Outside Director Stock Compensation Plan and 87,429 shares remain available for future awards. The maximum number of shares authorized for grant under the Outside Director Stock Compensation Plan is 100,000.

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, 2012, no preferred stock dividends were in arrears.

Preferred Stock

If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock.

At December 31, 2012 and 2011, there were less than 0.1 million shares of preferred stock authorized and outstanding and there were no dividends in arrears.

The Company may not pay any dividends on its common stock unless full cumulative dividends to the preceding dividend date for all outstanding shares of preferred stock have been paid or set aside for payment. All such preferred dividends have been paid. In addition, if Middlesex were to liquidate, holders of preferred stock would be paid back the stated value of their preferred shares before any distributions could be made to common stockholders.

The conversion feature of the no par \$7.00 Series Cumulative and Convertible Preferred Stock allows the security holders to exchange one convertible preferred share for twelve shares of the Company's common stock. In addition, the Company may redeem up to 10% of the outstanding convertible stock in any calendar year at a price equal to the fair value of twelve shares of the Company's common stock for each share of convertible stock redeemed. In February 2011, the Company repurchased 93 shares of its \$7.00 Series, nonredeemable cumulative preferred stock at par value for approximately \$9 thousand.

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

Long-term Debt

In November 2012, Middlesex completed the transaction for the redemption and refinance of \$57.5 million of First Mortgage Bonds (Bonds). The Bonds were originally issued in five separate transactions or series under the loan program of the New Jersey Economic Development Authority (NJEDA) and were replaced with three new series of Bonds designated as Series QQ, RR and SS totaling \$55.4 million issued through the NJEDA, net of a \$2.2 million issuance premium. The restricted proceeds of the new Bonds were used to redeem \$51.5 million of the original Bonds in December 2012 and \$6.0 million of the original Bonds in January 2013.

In May 2012, Middlesex borrowed \$3.9 million through the New Jersey Environmental Infrastructure Trust (NJEIT) under the New Jersey State Revolving Fund (SRF) loan program and issued Bonds designated as Series OO (\$3.0 million) and Series PP (\$0.9 million). The interest rate on the Series OO Bonds is zero and the interest rate on the Series PP Bonds ranges from 2.0% to 5.0% depending on the serial maturity date. The final maturity date for the Bonds is August 1, 2031. Proceeds may only be used for the Middlesex 2012 RENEW Program, which is Middlesex's program to clean and cement unlined mains in the Middlesex system.

In December 2010, Middlesex issued \$4.0 million of Bonds through the NJEIT under the New Jersey SRF program. The Company closed on the Bonds designated as Series MM and NN in December 2010. Proceeds may only be used for the Middlesex 2011 RENEW Program.

In March 2011, Tidewater closed on a \$2.8 million loan with the Delaware SRF program which allowed, but did not obligate, Tidewater to draw against a General Obligation Note for a specific project. The interest rate on all draws was set at 3.75% with a final maturity of July 1, 2031. As of December 31, 2012, Tidewater has borrowed \$2.7 million against this loan and does not anticipate any future borrowings under this loan.

In March 2011, Southern Shores closed on a \$1.6 million loan with the Delaware SRF program, which allowed, but did not obligate, Southern Shores to draw against a General Obligation Note for a specific project. The interest rate on any draw was set at 3.75% with a final maturity of November 30, 2030. As of December 31, 2012, Southern Shores has borrowed \$1.4 million against this loan and does not anticipate any future borrowings under this loan.

First Mortgage Bonds Series QQ through SS are term bonds with single maturity dates subsequent to 2017. Principal repayments for all series of the Company's long-term debt extend beyond 2017. The aggregate annual principal repayment obligations for all long-term debt over the next five years are shown below:

	(Millions of Dollars)
<u>Year</u>	<u>Annual Maturities</u>
2013	\$11.1
2014	\$5.2
2015	\$5.3
2016	\$5.4
2017	\$5.5

The weighted average interest rate on all long-term debt at both December 31, 2012 and 2011 was 4.34% and 5.13%, respectively. Except for the Amortizing Secured Notes, all of the Company's outstanding long-term debt has been issued through the NJEDA (\$61.4 million), the NJEIT program (\$31.2 million) and the Delaware SRF program (\$10.2 million).

Restricted cash includes proceeds from various New Jersey SRF loans. These funds are held in trusts and restricted for specific capital expenditures and debt service requirements. As discussed above, Series MM, NN, OO and PP proceeds can only be used for the applicable RENEW Programs. All other bond issuance balances in restricted cash are for debt service requirements.

In 2012 and 2011, the NJEIT deobligated principal payments of \$0.3 million and \$0.6 million, respectively, on several series of SRF long-term debt.

Substantially all of the Utility Plant of the Company is subject to the lien of its mortgage, which includes debt service and capital ratio covenants. The Company is in compliance with all of its mortgage covenants and restrictions.

Earnings Per Share

The following table presents the calculation of basic and diluted earnings per share (EPS) for the three years ended December 31, 2012. Basic EPS is computed on the basis of the weighted average number of shares outstanding. Diluted EPS assumes the conversion of both the Convertible Preferred Stock \$7.00 Series and \$8.00 Series.

	(In Thousands, Except per Share Amounts)					
	2012		2011		2010	
Basic:	Income	Shares	Income	Shares	Income	Shares
Net Income	\$ 14,396	15,733	\$ 13,447	15,615	\$ 14,330	14,654
Preferred Dividend	(206)		(206)		(207)	
Earnings Applicable to Common Stock	\$ 14,190	15,733	\$ 13,241	15,615	\$ 14,123	14,654
Basic EPS	\$ 0.90		\$ 0.85		\$ 0.96	
Diluted:						
Earnings Applicable to Common Stock	\$ 14,190	15,733	\$ 13,241	15,615	\$ 14,123	14,654
\$7.00 Series Dividend	97	166	97	166	97	166
\$8.00 Series Dividend	56	96	56	96	56	96
Adjusted Earnings Applicable to Common Stock	\$ 14,343	15,995	\$ 13,394	15,877	\$ 14,276	14,916
Diluted EPS	\$ 0.90		\$ 0.84		\$ 0.96	

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, accounts receivable, accounts payable and notes payable 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 Bonds and SRF Notes is based on quoted market prices for similar issues. Under the fair value hierarchy, the fair value of cash and cash equivalents is classified as a Level 1 measurement and the fair value of notes payable and the Bonds and SRF Notes in the table below are classified as Level 2 measurements. The carrying amount and fair value of the Company's bonds were as follows:

	(Thousands of Dollars)			
	At December 31,			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bonds	\$ 91,938	\$ 93,556	\$ 86,577	\$ 87,283
State Revolving Bonds	\$ 708	\$ 712	\$ 793	\$ 799

For other long-term debt for which there was no quoted market price, it was not practicable to estimate their fair value. The carrying amount of these instruments was \$47.7 million and \$49.3 million at December 31, 2012 and 2011, respectively. Customer advances for construction have a carrying amount of \$22.0 million and \$21.9 million at December 31, 2012 and 2011, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

Note 7 - Employee Benefit Plans***Pension Benefits***

The Company's Pension Plan covers all active employees hired prior to March 31, 2007. Employees hired after March 31, 2007 are not eligible to participate in this plan, but can participate in a defined contribution profit sharing plan that provides an annual contribution at the discretion of the Company, based upon a percentage of the participants' compensation. In order to be eligible for contribution, the eligible employee must be employed by the Company on December 31st of the year to which the contribution relates. In addition, the Company maintains an unfunded supplemental plan for its executive officers. The Accumulated Benefit Obligation for the Company's Pension Plan at December 31, 2012 and 2011 was \$52.4 million and \$46.5 million, respectively.

Other Benefits

The Company's Other Benefits Plan covers substantially all of its current retired employees. Employees hired after March 31, 2007 are not eligible to participate in this plan. Coverage includes healthcare and life insurance. Accrued retirement benefit costs are recorded each year.

Regulatory Treatment of Over/Underfunded Retirement Obligations

Because the Company is subject to regulation in the states in which it operates, it is required to maintain its accounts in accordance with the regulatory authority's rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance of ASC 980, *Regulated Operations*. Based on prior regulatory practice, and in accordance with the guidance in ASC 980, *Regulated Operations*, the Company records underfunded Pension Plan and Other Benefits Plan obligation costs, which otherwise would be recognized in Other Comprehensive Income under ASC 715, *Compensation – Retirement Benefits*, as a Regulatory Asset, and expects to recover those costs in rates charged to customers.

The Company uses a December 31 measurement date for all of its employee benefit plans. The table below sets forth information relating to the Company's Pension Plan and Other Benefits Plan for 2012 and 2011.

	December 31, (Thousands of Dollars)			
	Pension Plan		Other Benefits Plan	
	2012	2011	2012	2011
Change in Projected Benefit Obligation:				
Beginning Balance	\$ 56,201	\$ 42,138	\$ 43,121	\$ 29,605
Service Cost	2,198	1,574	1,784	1,306
Interest Cost	2,417	2,261	1,868	1,604
Actuarial Loss	3,833	12,047	4,425	11,121
Benefits Paid	(1,832)	(1,819)	(590)	(515)
Ending Balance	\$ 62,817	\$ 56,201	\$ 50,608	\$ 43,121
Change in Fair Value of Plan Assets:				
Beginning Balance	\$ 32,196	\$ 29,989	\$ 15,817	\$ 12,890
Actual Return on Plan Assets	3,879	470	1,241	177
Employer Contributions	3,661	3,556	3,940	3,265
Benefits Paid	(1,832)	(1,819)	(590)	(515)
Ending Balance	\$ 37,904	\$ 32,196	\$ 20,408	\$ 15,817
Funded Status	\$ (24,913)	\$ (24,005)	\$ (30,200)	\$ (27,304)

	December 31, (Thousands of Dollars)			
	Pension Plan		Other Benefits Plan	
	2012	2011	2012	2011
Amounts Recognized in the Consolidated Balance Sheets consist of:				
Current Liability	(345)	(303)	—	—
Noncurrent Liability	(24,568)	(23,702)	(30,200)	(27,304)
Net Liability Recognized	\$ (24,913)	\$ (24,005)	\$ (30,200)	\$ (27,304)

	Years Ended December 31, (Thousands of Dollars)					
	Pension Plan			Other Benefits Plan		
	2012	2011	2010	2012	2011	2010
Components of Net Periodic Benefit Cost						
Service Cost	\$ 2,198	\$ 1,575	\$ 1,396	\$ 1,784	\$ 1,306	\$ 1,025
Interest Cost	2,417	2,261	2,228	1,868	1,604	1,335
Expected Return on Plan Assets	(2,458)	(2,283)	(2,020)	(1,258)	(1,026)	(759)
Amortization of Net Transition Obligation	—	—	—	135	135	135
Amortization of Net Actuarial Loss	1,549	565	506	1,765	878	531
Amortization of Prior Service Cost	10	10	10	—	—	—
Net Periodic Benefit Cost	\$ 3,716	\$ 2,128	\$ 2,120	\$ 4,294	\$ 2,897	\$ 2,267

Amounts that are expected to be amortized from Regulatory Assets into Net Periodic Benefit Cost in 2013 are as follows:

	(Thousands of Dollars)	
	Pension Plan	Other Benefits Plan
	2013	2013
Actuarial Loss	\$ 1,632	\$ 1,976
Prior Service Cost	10	—

The discount rate and compensation increase rate for determining our postretirement benefit plans' benefit obligations and costs as of December 31, 2012, 2011 and 2010, respectively, are as follows:

	Pension Plan			Other Benefits Plan		
	2012	2011	2010	2012	2011	2010
Weighted Average Assumptions:						
Expected Return on Plan Assets	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Discount Rate for:						
Benefit Obligation	3.99%	4.37%	5.48%	3.99%	4.37%	5.48%
Benefit Cost	4.37%	5.48%	5.95%	4.37%	5.48%	5.95%
Compensation Increase for:						
Benefit Obligation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Benefit Cost	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

The compensation increase assumption for the Other Benefits Plan is attributable to life insurance provided to qualifying employees upon their retirement. The insurance coverage will be determined based on the employee's base compensation as of their retirement date.

For the 2012 valuation, costs and obligations for our Other Benefits Plan assumed a 9.0% annual rate of increase in the per capita cost of covered healthcare benefits in 2013 with a decline of 1.0% per year for 2014-2016 and 0.5% per year for 2017-2018, resulting in an annual rate of increase in the per capita cost of covered healthcare benefits of 5% by year 2018.

A one-percentage point change in assumed healthcare cost trend rates would have the following effects on the Other Benefits Plan:

	(Thousands of Dollars)	
	1 Percentage Point	
	Increase	Decrease
Effect on Current Year's Service and Interest Cost	\$ 838	\$ (640)
Effect on Projected Benefit Obligation	\$ 9,560	\$ (7,477)

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

Year	(Thousands of Dollars)	
	Pension Plan	Other Benefits Plan
2013	\$ 1,949	\$ 827
2014	1,938	988
2015	1,931	1,158
2016	1,951	1,321
2017	2,263	1,503
2018-2022	12,950	9,969
Totals	<u>\$ 22,982</u>	<u>\$ 15,766</u>

Benefit Plans Assets

The allocation of plan assets at December 31, 2012 and 2011 by asset category is as follows

Asset Category	Pension Plan		Other Benefits Plan		Target	Range
	2012	2011	2012	2011		
Equity Securities	60.9%	61.6%	40.3%	37.0%	60%	30-65%
Debt Securities	32.9%	31.3%	53.0%	57.8%	38%	25-70%
Cash	6.0%	6.9%	5.9%	4.6%	2%	0-10%
Commodities	0.2%	0.2%	0.8%	0.6%	0%	0%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		

Two outside investment firms each manage a portion of the Pension Plan asset portfolio. One of those investment firms also manages the Other Benefits Plan asset portfolio. Quarterly meetings are held between the Company's Pension Committee of the Board of Directors and the investment managers to review their performance and asset allocation. If the actual asset allocation is outside the targeted range, the Pension Committee reviews current market conditions and advice provided by the investment managers to determine the appropriateness of rebalancing the portfolio.

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

Equity securities include Middlesex common stock in the amounts of \$0.8 million (2.0% of total plan assets) and \$0.7 million (2.3 % of total pension plan assets) at December 31, 2012 and 2011, respectively.

Fair Value Measurements

Accounting guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in accessible active markets.
- Level 2 – Inputs to the valuation methodology that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Certain investments in cash and cash equivalents, equity securities, and commodities are valued based on quoted market prices in active markets and are classified as Level 1 investments. Certain investments in cash and cash equivalents, equity securities and fixed income securities are valued using prices received from pricing vendors that utilize observable inputs and are therefore classified as Level 2 investments.

The following table presents Middlesex's Pension Plan assets measured and recorded at fair value within the fair value hierarchy as of December 31, 2012 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Common Trust Fund-Large Cap	\$ —	\$ 10,409	\$ —	\$ 10,409
Mutual Funds:				
Mid Cap Growth	703	—	—	703
Mid Cap Value	412	—	—	412
Foreign Small Mid Growth	255	—	—	255
Foreign Large Blend	710	—	—	710
Pacific Asis/ex-Japan Stock	164	—	—	164
Diversied Emerging Markets	222	—	—	222
Preferred Stock Index	82	—	—	82
Money Market Funds:				
Cash and Cash Equivalents	2,385	747	—	3,132
Equity Securities:				
Non-Financial Services	293	—	—	293
Financial Services	1,883	—	—	1,883
Utilities	1,334	—	—	1,334
Consumer Growth	1,778	—	—	1,778
Consumer Staples	931	—	—	931
Consumer Cyclicals	886	—	—	886
Industrial Resources	224	—	—	224
Capital Equipment	669	—	—	669
Technology	1,324	—	—	1,324
Energy	860	—	—	860
Corporate Bonds	—	3,575	—	3,575
Mortgage-Backed Securities (1)	—	2,570	—	2,570
Asset-Backed Securities	—	25	—	25
Agency/US/State/Municipal Debt	—	5,312	—	5,312
Sovereign/Non-US Debt	—	63	—	63
Commodities	88	—	—	88
Total Investments	\$ 15,203	\$ 22,701	\$ —	\$ 37,904

(1) Mortgage-backed securities represent AAA rated securities and substantially all of the asset-backed securities are highly-rated (Standard & Poor's rating of AA+), secured primarily by credit card, auto loan, and home equity receivables.

The following table presents Middlesex's Pension Plan assets measured and recorded at fair value within the fair value hierarchy as of December 31, 2011 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Common Trust Fund-Large Cap	\$ —	\$ 7,641	\$ —	\$ 7,641
Mutual Funds:				
Mid Cap Growth	655	—	—	655
Mid Cap Value	356	—	—	356
Foreign Small Mid Growth	214	—	—	214
Foreign Large Core	97	—	—	97
Foreign Large Blend	586	—	—	586
Diversied Emerging Markets	281	—	—	281
Preferred Stock Index	74	—	—	74
Money Market Funds:				
Cash and Cash Equivalents	1,389	1,281	—	2,670
Equity Securities:				
Non-Financial Services	189	—	—	189
Financial Services	1,289	—	—	1,289
Utilities	1,629	—	—	1,629
Consumer Growth	1,685	—	—	1,685
Consumer Staples	956	—	—	956
Consumer Cyclicals	853	—	—	853
Industrial Resources	159	—	—	159
Capital Equipment	651	—	—	651
Technology	1,345	—	—	1,345
Energy	1,160	—	—	1,160
Other	40	—	—	40
Corporate Bonds	—	2,324	—	2,324
Mortgage-Backed Securities (1)	—	2,527	—	2,527
Asset-Backed Securities	—	27	—	27
Agency/US/State/Municipal Debt	129	4,532	—	4,661
Sovereign/Non-US Debt	—	75	—	75
Commodities	52	—	—	52
Total Investments	\$ 13,789	\$ 18,407	\$ —	\$ 32,196

(1) Mortgage-backed securities represent AAA rated securities and substantially all of the asset-backed securities are highly-rated (Standard & Poor's rating of AA+), secured primarily by credit card, auto loan, and home equity receivables.

The following table presents Middlesex's Other Benefits Plan assets measured and recorded at fair value within the fair value hierarchy as of December 31, 2012 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Small Cap Core	\$ 97	\$ —	\$ —	\$ 97
Mid Cap Core	104	—	—	104
Mid Cap Growth	290	—	—	290
Mid Cap Value	446	—	—	446
Large Cap Core	5,270	—	—	5,270
Large Cap Growth	902	—	—	902
Large Cap Value	—	—	—	—
Foreign Small Mid Growth	303	—	—	303
Foreign Large Core	234	—	—	234
Foreign Large Growth	292	—	—	292
Diversified Emerging Markets	282	—	—	282
Preferred Stock Index	119	—	—	119
Money Market Funds:				
Cash and Cash Equivalents	—	1,205	—	1,205
Agency/US/State/Municipal Debt	780	9,914	—	10,694
Commodities	170	—	—	170
Total Investments	\$ 9,289	\$ 11,119	\$ —	\$ 20,408

The following table presents Middlesex's Other Benefits Plan assets measured and recorded at fair value within the fair value hierarchy as of December 31, 2011 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Small Cap Core	\$ 90	\$ —	\$ —	\$ 90
Mid Cap Core	48	—	—	48
Mid Cap Growth	253	—	—	253
Mid Cap Value	288	—	—	288
Large Cap Core	3,406	—	—	3,406
Large Cap Growth	398	—	—	398
Large Cap Value	349	—	—	349
Foreign Small Mid Growth	225	—	—	225
Foreign Large Core	279	—	—	279
Foreign Large Growth	247	—	—	247
Diversified Emerging Markets	163	—	—	163
Preferred Stock Index	107	—	—	107
Money Market Funds:				
Cash and Cash Equivalents	—	818	—	818
Agency/US/State/Municipal Debt	424	8,622	—	9,046
Commodities	100	—	—	100
Total Investments	\$ 6,377	\$ 9,440	\$ —	\$ 15,817

Benefit Plans Contributions

For the Pension Plan, Middlesex made total cash contributions of \$3.7 million in 2012 and expects a similar level of funding in 2013.

For the Other Benefits Plan, Middlesex made total cash contributions of \$3.9 million in 2012 and expects a similar level of funding in 2013.

401(k) Plan

The Company has a 401(k) defined contribution plan, which covers substantially all employees with more than 1,000 hours of service. Under the terms of the Plan, the Company matches 100% of a participant's contributions, which do not exceed 1% of a participant's compensation, plus 50% of a participant's contributions exceeding 1%, but not more than 6%. The Company's matching contributions were \$0.5 million for each of the years ended December 31, 2012, 2011 and 2010.

For those employees hired after March 31, 2007 and still actively employed on December 31, 2012, the Company approved and will fund discretionary contribution of \$0.2 million, which was based on 5.0% of eligible 2012 compensation. For the years ended December 31, 2011 and 2010, the Company made discretionary contributions of \$0.2 million and \$0.1 million, respectively, for those qualifying employees.

Stock-Based Compensation

The Company has a stock compensation plan for certain management employees (the 2008 Restricted Stock Plan). The Company maintains an escrow account for 0.1 million shares of the Company's common stock for the 2008 Restricted Stock Plan. Such stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within five years of the award other than as a result of retirement, death, disability or change in control. The maximum number of shares authorized for grant under the 2008 Restricted Stock Plan is 0.3 million shares, for which 0.2 million remain as unissued shares.

The Company recognizes compensation expense at fair value for the restricted stock awards in accordance with ASC 718, *Compensation – Stock Compensation*. Compensation expense is determined by the market value of the stock on the date of the award and is being amortized over a five-year period.

The following table presents information on the 2008 Restricted Stock Plan:

	Shares (thousands)	Unearned Compensation (thousands)	Weighted Average Grant Price
Balance, January 1, 2010	93	\$ 990	
Granted	14	239	\$ 16.97
Vested	(13)	—	
Forfeited	—	—	
Amortization of Compensation Expense	—	(338)	
Balance, December 31, 2010	94	\$ 891	
Granted	30	518	\$ 16.97
Vested	(15)	—	
Forfeited	(1)	(7)	
Amortization of Compensation Expense	—	(323)	
Balance, December 31, 2011	108	\$ 1,079	
Granted	21	408	\$ 19.35
Vested	(15)	—	
Forfeited	—	—	
Amortization of Compensation Expense	—	(448)	
Balance, December 31, 2012	114	\$ 1,039	

The fair value of vested restricted shares was \$0.3 million, \$0.2 million and \$0.2 million for the years ended December 31, 2012, 2011, and 2010, respectively.

Note 8 – Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey, Delaware and Pennsylvania. This segment also includes regulated wastewater systems in New Jersey and Delaware. The Company is subject to regulations as to its rates, services and other matters by the states of New Jersey, Delaware and Pennsylvania with respect to utility service within these states. The other segment is primarily comprised of non-regulated contract services for the operation and maintenance of municipal and private water and wastewater systems in New Jersey and Delaware.

Inter-segment transactions relating to operational costs are treated as pass-through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender.

(Thousands of Dollars)
Years Ended December 31,

Operations by Segments:	2012	2011	2010
Revenues:			
Regulated	\$ 98,021	\$ 91,729	\$ 92,378
Non – Regulated	12,851	10,805	10,937
Inter-segment Elimination	(493)	(465)	(580)
Consolidated Revenues	\$ 110,379	\$ 102,069	\$ 102,735
Operating Income:			
Regulated	\$ 25,944	\$ 22,760	\$ 24,815
Non – Regulated	1,703	1,441	1,782
Consolidated Operating Income	\$ 27,647	\$ 24,201	\$ 26,597
Depreciation:			
Regulated	\$ 10,241	\$ 9,601	\$ 9,093
Non – Regulated	168	145	151
Consolidated Depreciation	\$ 10,409	\$ 9,746	\$ 9,244
Other Income, Net:			
Regulated	\$ 1,489	\$ 1,982	\$ 1,265
Non – Regulated	94	896	313
Inter-segment Elimination	(726)	(729)	(134)
Consolidated Other Income, Net	\$ 857	\$ 2,149	\$ 1,444
Interest Expense:			
Regulated	\$ 6,725	\$ 6,376	\$ 6,925
Non – Regulated	96	97	134
Inter-segment Elimination	(96)	(97)	(134)
Consolidated Interest Charges	\$ 6,725	\$ 6,376	\$ 6,925
Income Taxes:			
Regulated	\$ 6,579	\$ 5,548	\$ 6,004
Non – Regulated	804	979	782
Consolidated Interest Charges	\$ 7,383	\$ 6,527	\$ 6,786
Net Income:			
Regulated	\$ 13,500	\$ 12,088	\$ 13,152
Non – Regulated	896	1,359	1,178
Consolidated Net Income	\$ 14,396	\$ 13,447	\$ 14,330
Capital Expenditures:			
Regulated	\$ 21,149	\$ 23,125	\$ 29,344
Non – Regulated	429	437	260
Total Capital Expenditures	\$ 21,578	\$ 23,562	\$ 29,604
As of			
	December 31, 2012	December 31, 2011	
Assets:			
Regulated	\$ 560,165	\$ 539,947	
Non – Regulated	11,674	10,325	
Inter-segment Elimination	(10,113)	(12,736)	
Consolidated Assets	\$ 561,726	\$ 537,536	

Note 9 - Quarterly Operating Results - Unaudited

Operating results for each quarter of 2012 and 2011 are as follows:

	(Thousands of Dollars, Except per Share Data)					
2012	1 st	2 nd	3 rd	4 th	Total	
Operating Revenues	\$ 23,546	\$ 27,401	\$ 32,353	\$ 27,079	\$ 110,379	
Operating Income	3,877	7,210	10,843	5,717	27,647	
Net Income	1,807	3,725	6,138	2,726	14,396	
Basic Earnings per Share	\$ 0.11	\$ 0.23	\$ 0.39	\$ 0.17	\$ 0.90	
Diluted Earnings per Share	\$ 0.11	\$ 0.23	\$ 0.39	\$ 0.17	\$ 0.90	
2011	1 st	2 nd	3 rd	4 th	Total	
Operating Revenues	\$ 23,996	\$ 26,102	\$ 28,671	\$ 23,300	\$ 102,069	
Operating Income	4,768	6,738	8,516	4,179	24,201	
Net Income	2,630	3,625	5,143	2,049	13,447	
Basic Earnings per Share	\$ 0.17	\$ 0.23	\$ 0.33	\$ 0.12	\$ 0.85	
Diluted Earnings per Share	\$ 0.17	\$ 0.23	\$ 0.32	\$ 0.12	\$ 0.84	

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. The quarterly earnings per share amounts above may differ from previous filings due to the effects of rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

As required by Rule 13a-15 under the Exchange Act, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted by the Company's Chief Executive Officer along with the Company's Chief Financial Officer for the quarter ended December 31, 2012. Based upon that evaluation the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded:

(a) Disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) No changes in internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Accordingly, management believes the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

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

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

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the adequacy of financial statement preparation and presentation. Middlesex's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on our assessment, we believe that as of December 31, 2012, the Company's internal control over financial reporting is operating as designed and is effective based on those criteria.

Middlesex's independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2012 as stated in their report which is included herein.

/s/ Dennis W. Doll
Dennis W. Doll
President and
Chief Executive Officer

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

Iselin, New Jersey
March 7, 2013

(3) Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Middlesex Water Company

We have audited Middlesex Water Company's (the "Company") internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Middlesex Water Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Middlesex Water Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and consolidated statements of capital stock and long-term debt and the related consolidated statements of income, common stockholders' equity, and cash flows of Middlesex Water Company and our report dated March 7, 2013 expressed an unqualified opinion.

/s/ ParenteBeard LLC

Reading, Pennsylvania
March 7, 2013

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information with respect to Directors of Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

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

ITEM 11. EXECUTIVE COMPENSATION.

This Information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

1. The following Financial Statements and Supplementary Data are included in Part II- Item 8. of this Annual Report.

Consolidated Balance Sheets at December 31, 2012 and 2011.

Consolidated Statements of Income for each of the three years in the period ended December 31, 2012.

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2012.

Consolidated Statements of Capital Stock and Long-term Debt at December 31, 2012 and 2011.

Consolidated Statements of Common Stockholders' Equity for each of the three years in the period ended December 31, 2012.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

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

3. Exhibits

See Exhibit listing immediately following the signature page.

SIGNATURES

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

MIDDLESEX WATER COMPANY

By: /s/ Dennis W. Doll
Dennis W. Doll
President and Chief Executive Officer

Date: March 7, 2013

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the registrant and in the capacities indicated on March 7, 2013.

By: /s/ A. Bruce O'Connor
A. Bruce O'Connor
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

By: /s/ Dennis W. Doll
Dennis W. Doll
Chairman of the Board, President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ James F. Cosgrove Jr.
James F. Cosgrove Jr.
Director

By: /s/ John C. Cutting
John C. Cutting
Director

By: /s/ Steven M. Klein
Steven M. Klein
Director

By: /s/ Amy B. Mansue
Amy B. Mansue
Director

By: /s/ John R. Middleton, M.D.
John R. Middleton, M.D.
Director

By: /s/ Walter G. Reinhard
Walter G. Reinhard
Director

By: /s/ Jeffries Shein
Jeffries Shein
Director

EXHIBIT INDEX

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

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
3.1	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on June 19, 1997, included as Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 30, 2010.		
3.2	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on May 27, 1998, filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.		
3.3	Certificate of Correction of Middlesex Water Company filed with the State of New Jersey on April 30, 1999, filed as Exhibit 3.3 of 2003 Form 10-K/A-2.		
3.4	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on February 17, 2000, filed as Exhibit 3.4 of 2003 Form 10-K/A-2.		
3.5	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on June 5, 2002, filed as Exhibit 3.5 of 2003 Form 10-K/A-2.		
3.6	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on June 10, 1998, filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.		
3.7	Bylaws of the Company, as amended, filed as Exhibit 4.1 of 2010 Second Quarter Form 10-Q.		
4.1	Form of Common Stock Certificate.	2-55058	2(a)
10.1	Copy of Purchased Water Agreement between the Company and Elizabethtown Water Company, filed as Exhibit 10 of 2006 First Quarter Form 10-Q.		
10.2	Copy of Mortgage, dated April 1, 1927, between the Company and Union County Trust Company, as Trustee, as supplemented by Supplemental Indentures, dated as of October 1, 1939 and April 1, 1949.	2-15795	4(a)-4(f)
10.3	Copy of Supplemental Indenture, dated as of July 1, 1964 and June 15, 1991, between the Company and Union County Trust Company, as Trustee.	33-54922	10.4-10.9
10.4	Copy of Supply Agreement, dated as of July 27, 2011, between the Company and the Old Bridge Municipal Utilities Authority filed as Exhibit No. 10.4 of 2011 Third Quarter Form 10-Q.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.5	Copy of Supply Agreement, dated as of July 14, 1987, between the Company and the Marlboro Township Municipal Utilities Authority, as amended.	33-31476	10.13
10.6	Copy of Supply Agreement, dated as of February 11, 1988, with modifications dated February 25, 1992, and April 20, 1994, between the Company and the Borough of Sayreville filed as Exhibit No. 10.11 of 1994 First Quarter Form 10-Q.		
10.7	Copy of Water Purchase Contract, dated as of September 25, 2003, between the Company and the New Jersey Water Supply Authority, filed as Exhibit No. 10.7 of 2003 Form 10-K.		
10.8	Copy of Treating and Pumping Agreement, dated April 9, 1984, between the Company and the Township of East Brunswick.	33-31476	10.17
10.9	Copy of Supply Agreement, dated June 4, 1990, between the Company and Edison Township.	33-54922	10.24
10.10	Copy of amended Supply Agreement, between the Company and the Borough of Highland Park, filed as Exhibit No. 10.1 of 2006 First Quarter Form 10-Q.		
(t)10.11	Copy of Supplemental Executive Retirement Plan, filed as Exhibit 10.13 of 1999 Third Quarter Form 10-Q.		
(t)10.12(a)	Copy of 2008 Restricted Stock Plan, filed as Appendix A to the Company's Definitive Proxy Statement, dated and filed April 11, 2008.		
(t)10.12(b)	Copy of 2008 Outside Director Stock Compensation Stock Plan, filed as Appendix B to the Company's Definitive Proxy Statement, dated and filed April 11, 2008.		
(t)10.13(a)	Change in Control Termination Agreement between Middlesex Water Company and Dennis W. Doll, filed as Exhibit 10.13(a) of the 2008 Form 10-K.		
(t)10.13(b)	Change in Control Termination Agreement between Middlesex Water Company and A. Bruce O'Connor, filed as Exhibit 10.13(b) of the 2008 Form 10-K.		
(t)10.13(c)	Change in Control Termination Agreement between Middlesex Water Company and Richard M. Risoldi, filed as Exhibit 10.13(d) of the 2008 Form 10-K.		
(t)10.13(d)	Change in Control Termination Agreement between Middlesex Water Company and Kenneth J. Quinn, filed as Exhibit 10.13(e) of the 2008 Form 10-K.		
(t)10.13(e)	Change in Control Termination Agreement between Middlesex Water Company and Lorrie B. Ginegaw, filed as Exhibit 10.13(e) of the 2011 Form 10-K.		

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Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
(t)10.13(f)	Change in Control Termination Agreement between Tidewater Utilities, Inc. and Gerard L. Esposito, filed as Exhibit 10.13(g) of the 2008 Form 10-K.		
(t)10.13(g)	Change in Control Termination Agreement between Middlesex Water Company and Bernadette M. Sohler, filed as Exhibit 10.13(h) of the 2008 Form 10-K.		
10.14	Copy of Transmission Agreement, dated October 16, 1992, between the Company and the Township of East Brunswick.	33-54922	10.23
10.15	Copy of Supplemental Indenture dated October 15, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Loan Agreement dated November 1, 1998 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series X), filed as Exhibit No. 10.22 of the 1998 Third Quarter Form 10-Q.		
10.16	Copy of Supplemental Indenture dated October 15, 1998 between Middlesex Water Company and First Union National Bank, as Trustee. Copy of Loan Agreement dated November 1, 1998 between the State of New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series Y), filed as Exhibit No. 10.23 of the 1998 Third Quarter Form 10-Q.		
10.17	Copy of Operation, Maintenance and Management Services Agreement dated January 1, 1999 between the Company City of Perth Amboy, Middlesex County Improvement Authority and Utility Service Affiliates, Inc.	333-66727	10.24
10.18	Copy of Supplemental Indenture dated October 15, 1999 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 1999 between the State of New Jersey and Middlesex Water Company (Series Z), filed as Exhibit No. 10.25 of the 1999 Form 10-K.		
10.19	Copy of Supplemental Indenture dated October 15, 1999 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 1999 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series AA), filed as Exhibit No. 10.26 of the 1999 Form 10-K.		
10.20	Copy of Supplemental Indenture dated October 15, 2001 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 2001 between the State of New Jersey and Middlesex Water Company (Series BB). Filed as Exhibit No. 10.22 of the 2001 Form 10-K.		

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Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.21	Copy of Supplemental Indenture dated October 15, 2001 between Middlesex Water Company and First Union National Bank, as Trustee and copy of Loan Agreement dated November 1, 2001 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series CC). Filed as Exhibit No. 10.22 of the 2001 Form 10-K.		
10.22	Copy of Supplemental Indenture dated October 15, 2004 between Middlesex Water Company and Wachovia Bank, as Trustee and copy of Loan Agreement dated November 1, 2004 between the State of New Jersey and Middlesex Water Company (Series EE), filed as Exhibit No. 10.26 of the 2004 Form 10-K.		
10.23	Copy of Supplemental Indenture dated October 15, 2004 between Middlesex Water Company and Wachovia Bank, as Trustee and copy of Loan Agreement dated November 1, 2004 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series FF), filed as Exhibit No. 10.27 of the 2004 Form 10-K.		
10.24	Copy of Promissory Notes and Amendment to Combination Water Utility Real Estate Mortgage and Security Agreement, by Tidewater Utilities, Inc., Dated March 19, 2009, filed as Exhibit No. 10.28 of the 2009 First Quarter Form 10-Q.		
10.25	Copy of Supply Agreement, between the Company and the City of Rahway, filed as Exhibit No. 10.2 of 2006 First Quarter Form 10-Q.		
10.26	Copy of Supplemental Indenture dated October 15, 2006 between Middlesex Water Company and U.S. Bank National Association, as Trustee and copy of Loan Agreement dated November 1, 2006 between the State of New Jersey and Middlesex Water Company (Series GG), filed as Exhibit No. 10.30 of the 2006 Form 10-K.		
10.27	Copy of Supplemental Indenture dated October 15, 2006 between Middlesex Water Company and U.S. Bank National Association, as Trustee and copy of Loan Agreement dated November 1, 2006 between the New Jersey Environmental Infrastructure Trust and Middlesex Water Company (Series HH), filed as Exhibit No. 10.31 of the 2006 Form 10-K.		
10.28	Copy of Loan Agreement By and Between New Jersey Environmental Infrastructure Trust and Middlesex Water Company dated as of November 1, 2007 (Series II), filed as Exhibit No. 10.32 of the 2007 Form 10-K.		

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Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.29	Copy of Loan Agreement By and Between The State of New Jersey, Acting By and Through The New Jersey Department of Environmental Protection, and Middlesex Water Company dated as of November 1, 2007 (Series JJ), filed as Exhibit 10.33 of the 2007 Form 10-K.		
10.30	Copy of Loan Agreement By and Between New Jersey Environmental Infrastructure Trust and Middlesex Water Company dated as of November 1, 2008 (Series KK), filed as Exhibit 10.34 of the 2008 Form 10-K.		
10.31	Copy of Loan Agreement By and Between The State of New Jersey, Acting By and Through The New Jersey Department of Environmental Protection, and Middlesex Water Company dated as of November 1, 2008 (Series LL)), filed as Exhibit 10.35 of the 2008 Form 10-K.		
10.32	Registration Statement, Form S-3, under Securities Act of 1933 filed July 23, 2009, relating to the Dividend Reinvestment and Common Stock Purchase Plan.	333-160757	
10.33	Amended and Restated Line of Credit Note between registrant and PNC Bank, filed as Exhibit 10.37 of the 2011 Form 10-K.		
10.34	Uncommitted Line of Credit Letter Agreement and Master Promissory Note between registrant and Bank of America, N.A, filed as Exhibit 10.38 of the 2011 Form 10-K.		
10.35	Uncommitted Line of Credit Letter Agreement between registrant's wholly-owned subsidiary Utility Services Affiliates (Perth Amboy) Inc. and Bank of America, N.A, filed as Exhibit 10.39 of the 2011 Form 10-K.		
10.36	Amended Promissory Note for a committed line of credit between registrant's wholly-owned subsidiary Tidewater Utilities, Inc. and CoBank, ACB., filed as Exhibit 10.40 to the Company's September 30, 2011 Quarterly Report on Form 10-Q.		
10.37	Copy of Loan Agreement By and Between The state of New Jersey, Acting By and Through The New Jersey Department of Environmental Protection and Middlesex Water Company, dated as of December 1, 2010 (Series MM), filed as Exhibit 10.41 of the 2010 Form 10-K.		
10.38	Copy of Loan Agreement By and Between New Jersey Environmental Infrastructure Trust and Middlesex Water Company dated as of December 1, 2010 (Series NN), filed as Exhibit 10.42 of the 2010 Form 10-K.		

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Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.39	Copy of Loan Agreement By and Between The State of New Jersey, Acting By and Through The New Jersey Department of Environmental Protection and Middlesex Water Company, dated as of May 1, 2012 (Series OO), filed as Exhibit 10.43 of the June 30, 2012 Form 10-Q.		
10.40	Copy of Loan Agreement by and Between New Jersey Environmental Infrastructure Trust and Middlesex Water Company dated as of May 1, 2012 (Series PP), filed as Exhibit 10.44 of the June 30, 2012 Form 10-Q.		
*10.41	Copy of Loan Agreement By and Between the New Jersey Economic Development Authority and Middlesex Water Company dated as of November 1, 2012 (Series QQ, RR & SS).		
*21	Middlesex Water Company Subsidiaries.		
*23.1	Consent of Independent Registered Public Accounting Firm, ParenteBeard LLC.		
*31	Section 302 Certification by Dennis W. Doll pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*31.1	Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*32	Section 906 Certification by Dennis W. Doll pursuant to 18 U.S.C.§1350.		
*32.1	Section 906 Certification by A. Bruce O'Connor pursuant to 18 U.S.C.§1350.		
101.INS	XBRL Instance Document		
101.SCH	XBRL Schema Document		
101.CAL	XBRL Calculation Linkbase Document		
101.LAB	XBRL Labels Linkbase Document		
101.PRE	XBRL Presentation Linkbase Document		
101.DEF	XBRL Definition Linkbase Document		

LOAN AGREEMENT

by and between

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

AND

MIDDLESEX WATER COMPANY

Dated as of November 1, 2012

Subject to the “Reserved Rights”, as defined in the Indenture of Trust dated as of the date hereof between the New Jersey Economic Development Authority (the “Authority”) and Deutsche Bank National Trust Company (the “Trustee”), as trustee therein (the “Indenture”), certain rights of the Authority in this Loan Agreement have been assigned pursuant to the Indenture and are subject to the security interest of the Trustee.

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Exhibit A – Form of First Mortgage Bonds

Schedule A – List of Project Municipalities

LOAN AGREEMENT

THIS LOAN AGREEMENT by and between the **NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY** (the “Authority”), a public body corporate and politic constituting an instrumentality of the State of New Jersey, and **MIDDLESEX WATER COMPANY** (the “Company”), a corporation that is a regulated public utility company organized under the laws of the State of New Jersey, is dated as of November 1, 2012.

Capitalized terms and phrases used in these Recitals and not otherwise defined shall have the meanings ascribed to them in Article I of this Agreement.

WHEREAS, the Authority is a public body corporate and politic constituting an instrumentality of the State, organized and existing under the Act and is authorized under the Act (i) to extend credit or make loans to any person for the planning, designing, acquiring, constructing, reconstructing, improving, equipping and furnishing of a project, which credit or loans may be secured by loan and security agreements, mortgages, leases, and any other instruments, upon such terms and conditions as the Authority shall deem reasonable; (ii) to require the inclusion in any mortgage, lease, contract, loan and security agreement or other instruments, of such provisions for the construction, use, operation and maintenance and financing of a project as the Authority may deem necessary or desirable; and (iii) to enter into contracts with respect to the planning, designing, financing, constructing, reconstructing, improving, equipping, furnishing, operating and maintaining of a project, for such consideration and upon such terms and conditions as the Authority may determine to be reasonable; and

WHEREAS, the Authority, by resolution adopted on October 9, 2012 (the “Resolution”), and in furtherance of the purposes of the Act, proposes to issue its \$9,915,000 Water Facilities Refunding Revenue Bonds (Middlesex Water Company Project) Series 2012A (the “Series A Bonds”), its \$22,500,000 Water Facilities Refunding Revenue Bonds (Middlesex Water Company Project) Series 2012B (the “Series B Bonds”) and its \$23,000,000 Water Facilities Refunding Revenue Bonds (Middlesex Water Company Project) Series 2012C (the “Series C Bonds”) and to loan the proceeds of the Bonds to the Company, and the Company desires to borrow the proceeds of the Bonds from the Authority, to refund the Authority’s Prior Bonds (as hereinafter defined), the proceeds of which were used to finance or refinance all or a portion of the costs of the Projects referred to herein and further described in the Prior Agreements (as hereinafter defined), upon the terms and conditions set forth herein;

WHEREAS, Middlesex Water Company is the owner and operator of the Projects which were financed or refinanced with the proceeds of the Prior Bonds, as they may at any time exist;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

All capitalized, undefined terms used in this Agreement shall have meanings given them in the Indenture. In addition, the following words and phrases shall have the following meanings:

“*Act*” means The New Jersey Economic Development Act, constituting Chapter 80 of the Pamphlet Laws of 1974 of the State, approved on August 7, 1974, as amended and supplemented and as it may, from time to time, hereafter be amended or supplemented.

“*Agreement*” means this Loan Agreement and any amendments and supplements hereto.

“*Affirmative Action Requirements*” or “*Affirmative Action Program*” means the requirements of the Authority set forth in the Authority Regulations and any other affirmative action requirements of the Authority from time to time announced, as the same may from time to time be revised, amended or supplemented;

“*Application*” shall mean the Company’s application to the Authority, dated July 26, 2012, seeking financial assistance for the refunding of the Prior Bonds, and all attachments, exhibits, correspondence and modifications submitted in writing to the Authority in connection therewith.

“*Authority Representative*” means the person or persons at the time designated to act on behalf of the Authority by written certificate furnished to the Company and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Authority by its duly authorized agent.

“*Bonds*” means, collectively, the Series A Bonds, the Series B Bonds and the Series C Bonds in the aggregate total principal amount of \$55,415,000 authorized to be issued by the Authority pursuant to the Indenture and the Resolution.

“*Bond Counsel*” means Wolff & Samson PC or another attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Company and satisfactory to the Authority and the Trustee.

“*Business Day*” means a day on which banking business is transacted, but not including any day on which banks are authorized to be closed, in the city in which the Trustee has its corporate trust office and the city in which the Company has its principal place of business.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Company*” shall mean Middlesex Water Company, a corporation that is a regulated public utility company organized under the laws of the State of New Jersey, engaged principally in the treatment and distribution of water to customers and its successors or assigns.

“*Company Representative*” means the person or persons at the time designated to act on behalf of Company by written certificate furnished to the Authority and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Company by the Vice President and Treasurer, any other Vice President or any Assistant Treasurer.

“*Construction Contract*” shall mean, for purposes of the Prevailing Wage Provision, any contract or subcontract in the amount of \$2,000 or more for construction, reconstruction, demolition, alteration, repair, or maintenance work, including painting and decorating, undertaken in connection with the Projects and shall mean, for purposes of the Affirmative Action Program, any contract or subcontract for construction, reconstruction, renovation or rehabilitation undertaken in connection with the Projects.

“*Contractor*” shall mean the principal or general contractor or contractors engaged by the Company in the performance of a Construction Contract.

“*Default*” and “*Event of Default*” mean with respect to any Default or Event of Default under this Agreement any occurrence or event specified and defined by Section 7.01 hereof.

“*Delivery Date*” means the date of delivery of the Bonds to the Underwriters.

“*First Mortgage Bonds*” shall collectively mean the First Mortgage Bond, Series QQ in the aggregate principal amount of \$9,915,000 due October 1, 2023, the First Mortgage Bond, Series RR in the aggregate principal amount of \$22,500,000 due October 1, 2038 and the First Mortgage Bond, Series SS in the aggregate principal amount of \$23,000,000 due October 1, 2047, of the Company issued under and secured by the Mortgage Indenture and delivered to the Trustee, attached hereto as Exhibit A.

“*Governmental Authority*” means

- (1) the government of
 - (A) the United States of America or any State or other political subdivision thereof, or
 - (B) any other jurisdiction in which the Company or any other Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any other Subsidiary, or
- (2) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“*Income Exclusion*” means the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes under Section 103(a) of the Code.

“*Indemnified Parties*” means the Authority, any person who “controls” the Authority (within the meaning of Section 15 of the Securities Act of 1933, as amended or Section 20 of the Securities Exchange Act of 1934, as amended), and any member, officer, director, official, agent and employee of the Authority, the Trustee or the State or its employees.

“*Indenture*” means the Indenture of Trust dated as of November 1, 2012 between the Authority and the Trustee, pursuant to which the Bonds are authorized to be issued, including any indenture supplemental thereto.

“*Late Payment Rate*” means a rate of interest equal to the highest rate of interest borne by the Bonds.

“*Mortgage Indenture*” shall mean the Indenture of Mortgage dated as of April 1, 1927, by and between the Company and the Mortgage Trustee, as trustee, as supplemented by the Supplemental Mortgage Indenture.

“*Mortgage Trustee*” shall mean U.S. Bank National Association, as successor trustee under the Mortgage Indenture, or any successor thereto.

“*Net Proceeds*” shall mean the proceeds of the Bonds less any amounts placed in a reasonably required reserve or replacement fund within the meaning of Section 148 of the Code.

“*Permitted Investments*” means any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for moneys proposed to be invested therein:

- (i) Bonds or other obligations of the United States;
- (ii) Bonds or other obligations, the payment of the principal and interest of which is unconditionally guaranteed by the United States;
- (iii) Direct obligations issued by the United States or obligations guaranteed in full as to principal and interest by the United States or repurchase agreements with a qualified depository bank or securities dealers fully collateralized by such obligations, maturing on or before the date when such funds will be required for disbursement;
- (iv) Obligations of state and local government and municipal bond issuers, which are rated investment-grade by either S&P or Moody’s or other non-rated obligations of such issuers guaranteed or credit enhanced by a Person whose long-term debt or long-term deposits or other obligations are rated investment-grade by either S&P or Moody’s;
- (v) Prime commercial paper rated either “A-1” by S&P or “P-1” by Moody’s and, if rated by both, not less than “A-1” by S&P and “P-1” by Moody’s;
- (vi) Bankers’ acceptances drawn on and accepted by commercial banks;

(vii) Interests in any money market fund or trust, the investments of which are restricted to obligations described in clauses (i) through (vi) of this definition or obligations determined to be of comparable quality by the board of directors of such fund or trust; and

(viii) Such other obligations as may at any time hereafter be authorized by applicable law, provided that the Trustee may require as a condition to the investment of funds under this clause (viii) there having first been delivered to the Trustee an opinion of Counsel to the effect that investment in such other obligations is permitted under any applicable laws of the State.

“Prevailing Wage Requirements” and *“Prevailing Wage Provision”* means the requirements of the Authority set forth in the Authority Regulations and any other prevailing wage requirements of the Authority from time to time announced, as the same may from time to time be revised, amended or supplemented.

“Prevailing Wage Rate” shall mean the prevailing wage rate established by the Commissioner of the New Jersey Department of Labor and Industry from time to time in accordance with the provisions of N.J.S.A. 34:11-56.30 for the locality in which the Projects are located.

“Prior Agreements” means collectively the loan agreements between the Authority and the Company with respect to the Prior Bonds.

“Prior Bonds” means the (i) Water Facilities Revenue Refunding Bonds (Middlesex Water Company Project) Series 1993-B in the aggregate principal amount of \$12,000,000, to be refunded with the proceeds of the Series A Bonds; (ii) Water Facilities Revenue Bonds (Middlesex Water Company Project) Series 1993-C in the aggregate principal amount of \$6,500,000, to be refunded with the proceeds of the Series B Bonds; (iii) Water Facilities Revenue Refunding Bonds (Middlesex Water Company Project) Series 1994-A in the aggregate principal amount of \$10,000,000, to be refunded with the proceeds of the Series B Bonds; (iv) Water Facilities Revenue Bonds (Middlesex Water Company Project) Series 1998 in the aggregate principal amount of \$23,000,000, to be refunded with the proceeds of the Series C Bonds; and (v) Water Facilities Revenue Refunding Bonds (Middlesex Water Company Project) Series 2002 in the aggregate principal amount of \$6,000,000, to be refunded with the proceeds of the Series B Bonds.

“Prior Indentures” means collectively the trust indentures between the Authority and the Prior Trustees with respect to the Prior Bonds

“Prior Trustee(s)” means (i) U.S. Bank, National Association, as the trustee for the Water Facilities Revenue Refunding Bonds (Middlesex Water Company Project) Series 1993-B and the Water Facilities Revenue Bonds (Middlesex Water Company Project) Series 1993-C; and (ii) The Bank of New York Mellon as trustee for the other Prior Bonds.

“Project” or *“Projects”* means, collectively, those water facilities and related facilities previously acquired, constructed, improved or equipped with proceeds from the Prior Bonds, as more particularly described in the Prior Agreements and any renewals and replacements thereof, as the same may at any time exist.

“*Project Costs*” means the cost of the payment or redemption, or provision therefor, of the outstanding Prior Bonds.

“*Project Municipalities*” means those municipalities set forth in Schedule A hereto.

“*Rebatable Arbitrage*” shall mean 100% of the excess of the future value, as of a date, of all receipts on nonpurpose investments over the future value, as of that date, of all payments on nonpurpose investments, as more fully described in Code Section 148(f) and Regulations Section 1.148-3.

“*Rebate Expert*” means any of the following chosen by the Company: (A) Bond Counsel, (B) any nationally recognized firm of certified public accountants, (C) any reputable firm which offers to the tax-exempt bond industry rebate calculation services and holds itself out as having expertise in that area, or (D) such other person as is approved by Bond Counsel.

“*Series A Bonds*” means the \$9,915,000 Water Facilities Refunding Revenue Bonds (Middlesex Water Company Project) Series 2012A.

“*Series B Bonds*” means the \$22,500,000 Water Facilities Refunding Revenue Bonds (Middlesex Water Company Project) Series 2012B.

“*Series C Bonds*” means the \$23,000,000 Water Facilities Refunding Revenue Bonds (Middlesex Water Company Project) Series 2012C.

“*State*” means the State of New Jersey.

“*Subcontractor*” shall mean any person engaged by a Contractor or a Subcontractor in the performance of any Construction Contract.

“*Supplemental Mortgage Indenture*” means the Forty-Second Supplement to the Mortgage Indenture by and between the Company and U.S. Bank National Association, as trustee, dated as of November 1, 2012.

“*Tax Certificate*” shall mean the arbitrage and tax certificate executed by the Company in form and substance acceptable to the Authority, wherein the Company certifies as to such matters as the Authority shall require.

“*Term of Agreement*” means the term of this Agreement as specified in Section 10.01 hereof.

“*Trustee*” means Deutsche Bank National Trust Company, a national banking association, as Trustee under the Indenture, and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party or any corporation or association that acquires substantially all the corporate trust business of the Trustee and any successor Trustee at the time serving as successor trustee under the Indenture.

“Underwriters” collectively means PNC Capital Markets LLC, Edward D. Jones & Co, L.P. (as representative of itself and Janney Montgomery Scott LLC) and Merrill Lynch, Pierce Fenner & Smith, Inc., the underwriters of the Series A Bonds, the Series B Bonds and the Series C Bonds, respectively.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of Authority. The Authority represents, covenants and warrants that:

(a) The Authority is a public body corporate and politic constituting an instrumentality of the State duly organized and validly existing under the laws of the State. Under the provisions of the Act, the Authority is authorized to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder and thereunder. The Authority has been duly authorized to execute and deliver this Agreement and the Indenture and to issue the Bonds.

(b) All covenants, stipulations, promises, agreements and obligations of the Authority set forth herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his or her individual capacity, and no recourse shall be had for the payment of the principal or redemption price of or interest on the Bonds or for any claim based thereon or hereunder against any member, officer or employee of the Authority or any person executing the Bonds.

(c) The Authority hereby covenants to comply with the provisions of the Code applicable to the Bonds and not to take any action or fail to take any action which would cause the interest on the Bonds to lose the Income Exclusion. The Authority covenants and agrees that it will take or cause to be taken, at the written direction of the Company, all required actions to assure that interest paid on the Bonds does not lose the Income Exclusion and that it will refrain from doing or performing any act or thing that will cause such interest not to be so excludable.

(d) The Authority agrees to direct the Prior Trustees to pay and discharge the Prior Bonds on the Delivery Date upon receipt by the Prior Trustees of the proceeds of the Bonds.

(e) The Authority covenants that it will not pledge the amounts derived from this Agreement other than as contemplated by the Indenture and the Bonds.

Section 2.02. Representations, Covenants and Warranties of the Company. The Company represents, covenants and warrants as follows:

(a) The Company is duly incorporated as a corporation that is a regulated public utility company organized under the laws of the State of New Jersey. The Company is in good standing under the laws of its jurisdiction of incorporation and is qualified to do business in the State. The Company is not in violation of any provision of its charter or its Bylaws. The Company has the power to enter into this Agreement and the Tax Certificate and has duly authorized the execution and delivery of this Agreement and the Tax Certificate by proper corporate action.

(b) Neither the execution and delivery of this Agreement or the Tax Certificate, the consummation of the transactions contemplated hereby or thereby nor the fulfillment of or compliance with the terms and conditions of this Agreement or the Tax Certificate conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or (except as provided in the Mortgage Indenture) results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

(c) There is no litigation or proceeding pending against the Company, or to the knowledge of the Company pending or threatened against the Company or any other person affecting in any manner whatsoever the right of the Company to execute this Agreement or the Tax Certificate or (except as disclosed in the Official Statement) affecting the ability of the Company to make the payments required hereunder or thereunder or to otherwise comply with their respective obligations contained herein.

(d) The Projects are of the type authorized and permitted by the Act, they have been completed, and their Costs of Construction (as defined by the Prior Indentures) were not less than \$57,500,000.

(e) The proceeds from the sale of the Bonds will be used only to refund the Prior Bonds.

Section 2.03. Public Purpose Representations and Covenants.

(a) Inducement. The availability of financial assistance from the Authority as provided for in the Prior Agreements and as provided herein has been an important inducement to the Company to undertake the refinancing of the Projects and to continue to locate the Projects in the State.

(b) No Untrue Statements. The Company represents that the representations, statements and warranties of the Company set forth in the Application, this Agreement, or any other document furnished to the Authority in connection with the issuance of the Bonds (i) are true, correct and complete, (ii) do not contain any untrue statement of a material fact and (iii) do not omit to state a material fact necessary to make the statements contained herein or therein not misleading or incomplete. The Company understands that all such statements, representations and warranties have been relied upon as an inducement by the Authority to issue the Bonds.

(c) Project Users. (i)(A) Prior to leasing, subleasing or consenting to the subleasing or assignment of any lease of all or any part of the Projects, during the period commencing on the date hereof and terminating three years after the Company has completed the acquisition, renovation and construction of all or substantially all of such Projects, and (B) upon the request of the Authority from time to time thereafter, the Company shall cause a Project Occupant Information Form to be submitted to the Authority by every prospective lessee, sublessee or lease assignee of the Projects.

(ii) The Company shall not permit any such leasing, subleasing or assigning of leases that would impair the Income Exclusion, or that would impair the ability of the Company to operate any Project or cause any Project not to be operated as an authorized project under the Act.

(d) Maintain Existence; Merge, Sell, Transfer. The Company shall maintain its existence as a corporation that is a regulated public utility company, and shall not sell, assign, transfer or otherwise dispose of the Projects or substantially all of its assets without the consent of the Authority; provided however that the Company may merge with or into or consolidate with another entity, and the Projects or this Agreement may be transferred pursuant to such merger or consolidation without violating this section provided:

- (i) the Company shall cause the proposed surviving, resulting or transferee company to furnish the Authority with a Change of Ownership Information Form;
- (ii) the net worth of the surviving, resulting or transferee company following the merger, consolidation or transfer is equal to or greater than the net worth of the Company immediately preceding the merger, consolidation or transfer;
- (iii) any litigation or investigations in which the surviving, resulting or transferee company or its principals, officers and directors are involved, and any court, administrative or other orders to which the surviving, resulting or transferee company or its officers and directors are subject, relate to matters arising in the ordinary course of business;
- (iv) the merger, consolidation or transfer will not impair the Income Exclusion pursuant to an opinion of Bond Counsel;
- (v) the surviving, resulting or transferee company assumes in writing the obligations of the Company, as the case may be, under this Agreement and the Company's obligations under the First Mortgage Bonds; and
- (vi) after the merger, consolidation or transfer, the Projects shall be operated as authorized projects under the Act.

(e) Relocate Projects. The Company shall not relocate the Projects or any part thereof out of the State. The Company shall not relocate the Projects within the State without the prior written consent of an Authority Representative and an opinion of Bond Counsel that the relocation will not affect the Income Exclusion.

(f) Operate Projects. The Company shall operate or cause each Project to be operated as an authorized project for a purpose and use as provided for under the Act until the expiration or earlier termination of this Agreement. The Projects are of a character included within the definition of "project" in the Act. The Company will operate the Projects substantially in the form represented in the Application and will not cause a change in the use of any Project such that any Project would cease to be a "facility for the furnishing water" within the meaning of Section 142(a)(4) of the Code.

(g) Annual Certification. On each anniversary hereof, the Company shall furnish to the Authority the following:

(i) a certification indicating whether or not the Company is aware of any condition, event or act which constitutes an Event of Default, or which would constitute an Event of Default with the giving of notice or passage of time, or both, under any of the documents executed by the Company in connection with the issuance of the Bonds;

(ii) a written description of the present use of the Projects and a description of any anticipated material change in the use of the Projects or in the number of employees employed at the Projects; and

(iii) a report from every entity that leases or occupies space at the Projects indicating the number of persons the entity employs at the Projects.

(h) Representation as to Affirmative Action and Prevailing Wage Requirements. The Company hereby covenants that none of the proceeds of the Bonds will be used to pay any Contractors or Subcontractors in connection with any Construction Contract.

(i) Preservation of Projects. (A) The Company will at all times preserve and protect the Projects in good repair, working order and safe condition, and from time to time will make, or will cause to be made, all needed and proper repairs, renewals, replacements, betterments and improvements.

(B) In addition, the Company shall have the privilege of making substitutions, additions, modifications and improvements to the Projects from time to time as the Company may deem to be desirable for its use for such purposes as shall be permitted by the Act, provided the same are included as part of the Projects, the costs of which substitutions, additions, modifications and improvements shall be paid by or on behalf of the Company, and the same shall be the property of the Company (including, for this purpose, the Company or any other wholly-owned subsidiary or affiliate of the Company).

(j) Access to the Projects and Inspection. The Authority and its duly authorized agents shall have the right, at all reasonable times upon the furnishing of notice that is reasonable under the circumstances to the Company, to enter upon the Project sites and to examine and inspect the Projects and the Project sites for the purpose of determining compliance with this Agreement.

(k) Compliance with the Affirmative Action and Prevailing Wage Requirements As determined by the Authority, the Company shall comply with the Authority's Affirmative Action and Prevailing Wage Rate Regulations and to that end copies of the Affirmation Action Regulations are available on the Authority's Internet web page at: www.njeda.com/affirmativeaction or contacting: New Jersey Economic Development Authority - Internal Process Management - Gateway One, Suite 900, Newark, New Jersey 07102 Phone (973) 648-4130 or e-mail: affirmativeaction@njeda.com.

(l) Additional Information. Until payment of the Bonds in full shall have occurred, the Company shall promptly, from time to time, deliver to the Trustee and upon the request of the Authority, to the Authority, such information regarding the operations, business affairs and financial condition of the Company as the Trustee (or the Authority) may reasonably request. The Trustee is hereby authorized to deliver a copy of any such financial information delivered hereunder, or otherwise obtained by the Trustee, to the Authority, any Bondholder or prospective Bondholder, to any regulatory authority having jurisdiction over the Trustee and to any other Person as may be required by law. The Trustee is authorized to provide information concerning the outstanding principal amount and payment history of, and other information pertaining to, the Bonds or the First Mortgage Bonds to any agency or regulatory authority of the State requesting such information.

Section 2.04. Non-Arbitrage Covenant. The Company hereby covenants and agrees with the Authority and the Trustee for the benefit of the holders of any Bonds, present and future, that it will not make, or permit, any use of the proceeds of the Bonds which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. The Company shall deliver to the Authority its certificate, evidencing the reasonable expectations of the Company, in such reasonable form as the Authority shall specify and upon which the Authority may rely in furnishing its own certificate. The covenants contained in this Section are in addition to, and not in limitation of, the covenants contained in Section 2.05 or 2.06 hereof.

Section 2.05. Arbitrage and Rebate.

(a) The Company covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Income Exclusion. The Company will take and will cause its members, managers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the Bonds continue to be subject to the Income Exclusion (including, without limitation, the calculation of rebate required to preserve the Income Exclusion). The Company will comply with Sections 103 through 150 of the Code and further covenants not to directly or indirectly use or permit the use (including the making of any investment) of any Bond proceeds or any other funds of the Authority or the Company, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(b) The Company hereby covenants that in connection with complying with the requirement for payment of the Rebateable Arbitrage to the United States with respect to the Bonds the Company will take the following actions:

(i) Six months after closing, the Company will provide a written certification to the Authority and the Trustee indicating whether the Company complied with the six month exception to the arbitrage rebate requirement set forth in Section 148(f)(4)(B) of the Code.

(ii) Unless the Company has complied with the six month exception, the Company will retain a Rebate Expert (defined below) on or within thirty (30) days before the Initial Rebate Computation Date (defined below) and on each Rebate Computation Date (defined below) thereafter, (A) to compute the Rebatable Arbitrage with respect to the Bonds for the period ending on Initial Rebate Computation Date, (B) to deliver an opinion to the Authority and Trustee, concerning its conclusions with respect to the amount (if any) of such Rebatable Arbitrage together with a written report providing a summary of the calculations relating thereto and (C) to deliver an opinion to the Authority and the Trustee that all of the gross proceeds of the Bonds (within the meaning of Section 148(f) of the Code), other than gross proceeds of the Bonds on deposit in a bona fide debt service fund (within the meaning of Section 148(f)(4) of the Code), have been expended on or prior to the Initial Rebate Computation Date. If a rebate exception applies to the proceeds of the Bonds, the Company will cause a Rebate Expert to deliver an opinion to the Authority and Trustee that all of the gross Bond proceeds (within the meaning of Section 148(f) of the Code), other than gross Bond proceeds on deposit in a bona fide debt service fund (within the meaning of Section 148(f)(4) of the Code), have been expended on or prior to the Initial Rebate Computation Date.

(iii) The Company shall within ten (10) days of receipt of the report furnished by the Rebate Expert pursuant to subparagraph (ii) above, pay or cause to be paid to the Trustee for deposit into the Rebate Fund the difference between the amount therein and the amount required to fund the Rebatable Arbitrage. If the Company fails to make or causes to be made any payment required pursuant to this subparagraph (iii) when due, the Authority shall have the right, but shall not be required, to make such payment to the Trustee on behalf of the Company. Any amount advanced by the Authority pursuant to this subparagraph (iii) shall be added to the moneys owing by the Company under this Agreement and shall be payable on demand with interest at the Late Payment Rate

(iv) Each payment of Rebatable Arbitrage to be paid to the United States shall be filed with the Internal Revenue Service at such address that may be specified by the Internal Revenue Service. Each payment shall be accompanied by Form 8038-T (or such other form required by the Internal Revenue Service furnished by the Company or the Authority), executed by the Authority, and a statement identifying the Authority, the date of the issue, the CUSIP number for the Bonds with the longest maturity and a copy of the applicable Form 8038.

(v) In the event Rebatable Arbitrage is due, the Company will direct the Trustee in writing to withdraw from the Rebate Fund and pay over to the United States the Rebatable Arbitrage with respect to the Bonds in installments as follows: each payment shall be made not later than sixty (60) days after the then current Rebate Computation Date and shall be in an amount which ensures that 100% of the Rebatable Arbitrage with respect to the Bonds, as of the then current Rebate Computation Date, will have been paid to the United States.

(vi) The Company acknowledges that the Authority shall have the right at any time and in the sole and absolute discretion of the Authority to obtain from the Company and the Trustee the information necessary to determine the amount required to be paid to the United States pursuant to Section 148(f) of the Code. Additionally, the Authority may, with reasonable cause, (A) review or cause to be reviewed any determination of the amount to be paid to the United States made by or on behalf of the Company and (B) make or retain a Rebate Expert to make the determination of the amount to be paid to the United States. The Company hereby agrees to be bound by any such review or determination, absent manifest error, to pay the costs of such review, including without limitation the reasonable fees and expenses of counsel or a Rebate Expert retained by the Authority, and to pay to the Trustee any additional amounts for deposit in the Rebate Fund required as the result of any such review or determination.

(vii) Notwithstanding any provision of this subsection to the contrary, the Company shall be liable, and shall indemnify and hold the Authority and the Trustee harmless against any liability, for payments due to the United States pursuant to Section 148(f) of the Code. Further, the Company specifically agrees that neither the Authority nor the Trustee shall be held liable, or in any way responsible, and the Company shall indemnify and hold harmless the Trustee and Authority against any liability, for any mistake or error in the filing of the payment or the determination of the amount due to the United States or for any consequences resulting from any such mistake or error. The provisions of this subparagraph (vii) shall survive termination of this Agreement.

(viii) The Authority, the Trustee and the Company acknowledge that the provisions of this section are intended to comply with Section 148(f) of the Code and the regulations promulgated thereunder and if as a result of a change in such section of the Code or the promulgated regulations thereunder or in the interpretation thereof, a change in this section shall be permitted or necessary to assure continued compliance with Section 148(f) of the Code and the promulgated regulations thereunder, then with written notice to the Trustee, the Authority and the Company shall be empowered to amend this section and the Authority may require, by written notice to the Company and the Trustee, the Company to amend this section to the extent necessary or desirable to assure compliance with the provisions of Section 148 of the Code and the regulations promulgated thereunder; provided that the Authority shall require, prior to any such amendment becoming effective, at the sole cost and expense of the Company, an opinion of Bond Counsel satisfactory to the Authority and the Trustee to the effect that either (A) such amendment is required to maintain the Income Exclusion or (B) such amendment shall not adversely affect the Income Exclusion. In the event of a conflict between the provisions of this Section and the Code, the provisions of the Code shall control.

(ix) The term “Initial Rebate Computation Date” shall mean the first Computation Date, which shall be within sixty (60) days after the fifth (5th) anniversary of the date of issuance of the Bonds. The term “Rebate Computation Date” shall mean any subsequent Computation Date. The term “Computation Date” shall have the meaning assigned to such term as set forth in Treasury Regulation Section 1.148-1 *et seq.*

(c) The Company will aid and assist the Authority in connection with preparing and submitting to the Internal Revenue Service a Form 8038 (or other applicable information reporting statement) at the time and in the form required by the Code.

(d) The Company will comply fully at all times with the Tax Certificate, and the Company will not take any action, or omit to take any action, which, if taken or omitted, respectively, would violate the Tax Certificate.

(e) The Projects were not acquired or placed in service by the Company (determined in accordance with the provisions of Section 103 of the Code and applicable regulations thereunder) more than one year prior to the date of issuance of their respective Prior Bonds.

(f) Nothing contained in this Loan Agreement or in the Indenture shall be interpreted or construed to require the Authority to pay the Rebateable Arbitrage, such obligations being the sole responsibility of the Company.

Section 2.06. Other Tax Matters.

(a) Subsequent to fifteen (15) days prior to the date the Bonds are sold and fifteen (15) days subsequent to the date the Bonds are sold, the Company has not, or will not, as the case may be, guaranteed, arranged, participated in, assisted with, borrowed the proceeds of, or leased facilities financed by obligations issued pursuant to Section 103 of the Code by any state or local governmental unit or any constituted authority empowered to issue obligations by or on behalf of any state or local governmental unit other than the Authority. During the period commencing on the date of the sale of the Bonds and ending 15 days thereafter, there will be no obligations issued pursuant to Section 103 that are guaranteed by the Company or which are issued with the assistance or participation of, or by arrangement with, the Company without the written opinion of Bond Counsel to the effect that the issuance of such obligation will not adversely affect their opinion as to the Income Exclusion. Other than the Company and the financial advisors to the Company, no person has (i) guaranteed, arranged, participated in, assisted with the issuance of, or paid any portion of the cost of the issuance of the Bonds, or (ii) provided any property or any franchise, trademark or trade name (within the meaning of Code Section 1253) which is to be used in connection with the Projects.

(b) The information contained in the Company’s Arbitrage and Tax Certificate, setting forth the respective cost, economic life, ADR midpoint life, if any, under Rev. Proc. 87-56, 1987-2 C.B. 674, as supplemented and amended from time to time, and guideline life, if any, under Rev. Proc. 62-21, 1962-2 C.B. 118, as supplemented and amended from time to time, of each asset constituting the Projects to be financed with the Bond proceeds is true, accurate and complete.

(c) The Bonds will not be federally guaranteed within the meaning of Section 149(b) of the Code.

Section 2.07. Costs and Expenses. All expenses in connection with the preparation, execution, delivery, recording and filing of this Loan Agreement, the First Mortgage Bonds and other collateral documents and in connection with the preparation, issuance and delivery of the Bonds, the Authority's fees, the fees and expenses of Wolff & Samson PC, the fees and expenses of the Trustee, the fees and expenses of Trustee's counsel and the fees and expenses of counsel to the Underwriters shall be paid directly by the Company. The Company shall also pay throughout the term of the Bonds the Authority's annual fees and expenses, if any, and the Trustee's annual and special fees and expenses under the Indenture, the Loan Agreement and the First Mortgage Bonds, including, but not limited to, reasonable attorney's fees and all costs of issuing, marketing, collecting payment on and redeeming the Bonds thereunder, and any costs and expenses of any Bondholder (or Beneficial Owner) in connection with any approval, consent or waiver under, or modification of, any such document.

Section 2.08. Insurance. (a) Until payment of the Bonds shall be made, the Company will at a minimum, maintain general comprehensive liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Projects or the Project sites (such coverage to include provisions waiving subrogation against the Authority) in amounts not less than \$1,000,000 with respect to bodily injury to any one person, \$3,000,000 with respect to bodily injury to two or more persons in any one accident and, \$1,000,000 with respect to property damage resulting from any one occurrence naming each of the Trustee and the Authority, as an additional insured.

(b) Each insurance policy obtained in satisfaction of the requirements of this section hereof:

(i) shall be by such insurer (or insurers) as shall be financially responsible, qualified to do business in the State and of recognized standing;

(ii) shall be in such form and have such provisions as are generally considered standard provisions for the type of insurance involved;

(iii) shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least thirty (30) days prior written notice to the Trustee and the Authority;

(iv) without limiting the generality of the foregoing, policies carried on the Projects shall name the Company, the Authority and the Trustee as parties insured thereunder as the respective interests of each may appear, and any loss thereunder shall be made payable and shall be applied as provided in the Mortgage Indenture and all liability insurance shall name the Authority and the Trustee as additional insureds;

(v) prior to expiration of any such policy, the Company shall furnish the Authority with evidence satisfactory to the Authority that the policy or certificates has been renewed or replaced in compliance with this Loan Agreement.

(c) In the event the Company shall fail to maintain the insurance coverage required by this Loan Agreement, the Authority or the Trustee may (but shall be under no obligation to), after ten (10) days written notice to the Company unless cured within such ten (10) days, contract for the required policies of insurance and pay the premiums on the same and the Company agrees to reimburse the Authority or the Trustee to the extent of the amounts so advanced with interest thereon at the maximum rate permitted by law.

(d) In addition to the provisions of Section 2.08(a), (b) and (c) above, the Company shall also comply with any insurance requirements set forth in the Mortgage Indenture.

Section 2.09. Filing of Other Documents. The parties hereto shall execute, at the request of the Company, and the Company shall file financing statements, continuation statements, notices and such other documents necessary to perfect all security interests created pursuant to the terms of this Agreement and the Indenture and to preserve and protect the rights of the Trustee in the granting by the Authority of certain rights of the Authority, pursuant to the Indenture, under this Agreement and the First Mortgage Bonds, and the Authority and the Trustee shall have no responsibilities for such filings whatsoever, other than executing the documents requested by the Company as applicable. The Company shall provide to the Trustee, and upon its request, to the Authority, copies of such filed documents.

ARTICLE III

ISSUANCE OF THE BONDS

Section 3.01. Agreement To Issue Bonds; Application of Bond Proceeds. In order to provide funds to finance the refunding of the principal of the Prior Bonds, the Authority agrees that it will issue under the Indenture, sell and cause to be delivered to the respective Underwriters or their designee, the Bonds in the aggregate principal amount of \$55,415,000, bearing interest, maturing and having the terms as set forth in the Indenture. The proceeds received from the sale of the Bonds shall be deposited with the Trustee as follows: (a) a sum equal to the accrued interest, if any, shall be deposited into the Bond Fund and used to pay interest on the Bonds on the first Bond interest payment date; and (b) the balance of the proceeds received from the sale of the Bonds, together with the funds furnished by the Company shall be applied on December 27, 2012 to the redemption of all the Prior Bonds, except the Series 2002 Prior Bonds, and on January 1, 2013 to the redemption of the Series 2002 Prior Bonds.

Section 3.02. First Mortgage Bonds. To evidence the Loan to the Company, the Company shall deliver to the Authority the First Mortgage Bonds in the total aggregate principal amount of \$55,415,000. In order to secure the repayment of the Bonds, simultaneously with the issuance and delivery of the Bonds, the Authority through the Indenture shall assign its interests in the First Mortgage Bonds to the Trustee, subject to its Reserved Rights. The form and nature of the First Mortgage Bonds to be delivered by the Company are set forth and described in Exhibit A attached hereto and the First Mortgage Bonds shall be in substantially such form, with such variations in principal amounts, interest rates, interest payment and maturity dates and prepayment or redemption provisions as may be necessary to correspond to such provisions of the Bonds issued by the Authority.

The First Mortgage Bonds shall:

- (a) be payable to the Trustee, registered in the name of the Trustee and be non-transferable except to a successor Trustee;
- (b) be issued in the principal amount equal to the aggregate principal amount of the Bonds;
- (c) provide for payments of interest equal to the payments of interest on the Bonds except that the Company shall receive a cash credit against its interest obligations equal to (i) accrued interest on the Bonds deposited with the Trustee at the time of issuance of the Bonds, if any, and (ii) such other moneys held at the time of such interest payment date by the Trustee in the Bond Fund created under the Indenture and available for the payment of interest on such Bonds;
- (d) require payments of principal, or principal plus a premium, equal to the stated maturities on the Bonds and the payment of all other amounts due under this Agreement;

(e) contain redemption provisions, or provisions in respect of the acceleration or prepayment of principal and premium, if any, equivalent to the redemption provisions of the Bonds; and

(f) require all payments on such First Mortgage Bonds to be made one (1) Business Day prior to the due date for the corresponding payment to be made on the Bonds.

Section 3.03. Conditions Precedent to Financing. The Authority shall not be obligated to issue the Bonds until the conditions set forth in Section 2.06 of the Indenture have been satisfied.

Section 3.04. Disbursements From Redemption Fund. The moneys in the Redemption Fund shall be transferred by the Trustee to the Prior Trustees, in their capacity as trustee for the respective series of Prior Bonds, for the payment of the principal of, premium, if any, and interest on the Prior Bonds on the Delivery Date.

Section 3.05. Investment of Moneys. Any moneys held as a part of the Bond Fund, the Redemption Fund or any other fund shall be invested or reinvested by the Trustee, at the request of and as directed in writing by a Company Representative, in any of the Permitted Investments, but in compliance with the Tax Certificate. The Trustee shall be entitled to conclusively rely on the Company's directions and make investments at the written direction of the Company Representative without determining whether such investments comply with the Tax Certificate.

The Trustee may make such Permitted Investments through its own bond department or the bond department of any entity under common control with the Trustee. All such Permitted Investments shall at all times be a part of the fund (the Redemption Fund, the Bond Fund or such other fund, as the case may be) from which the moneys used to acquire such Permitted Investments shall have come, and all income and profits on such Permitted Investments shall be credited to, and losses thereon shall be charged against, such funds. Such Permitted Investments shall be made so as to mature or be subject to redemption at the option of the holder thereof on or prior to the date or dates that the Company anticipates that moneys therefrom will be required. Such Permitted Investments shall be registered in the name of the Trustee or its nominee.

ARTICLE IV

LOAN PROCEEDS TO COMPANY; LOAN PROVISIONS;

PROVISIONS RELATING TO THE PROJECTS

Section 4.01. Loan of Proceeds. The Authority agrees, upon the terms and conditions contained in this Agreement, to lend to the Company the proceeds received by the Authority from the sale of the Bonds. Such proceeds shall be disbursed as provided in Section 3.01 hereof.

Section 4.02. Amounts Payable.

(a) The Company agrees to repay the principal of the loan in installments, on or before each Interest Payment Date, commencing October 1, 2013, and on or before any other date fixed for redemption or maturity of any or all of the Bonds pursuant to the Indenture, and to pay interest on the loan on or before each Interest Payment Date, commencing April 1, 2013, and on or before any other date fixed for redemption or maturity of any or all of the Bonds pursuant to the Indenture, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in an amount which, together with other moneys available therefor in the Bond Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon redemption or acceleration or otherwise), and interest on the Bonds as provided in the Indenture. Such payments shall be made in immediately available funds at least one (1) Business Day in advance of the due date.

It is understood and agreed that all payments payable under this Section 4.02(a) by the Company are assigned by the Authority to the Trustee for the benefit of the holders of the Bonds. The Company hereby consents to such assignment. The Authority hereby directs the Company, and the Company hereby agrees, to pay to the Trustee at the Trustee's corporate trust office all payments payable pursuant to this Section 4.02(a).

(b) The Company will also pay the expenses of the Authority as set forth in Section 2.07, including attorneys' fees, of the Authority related to the issuance of the Bonds and incurred at or before the issuance and delivery thereof and any fees and expenses, including attorneys' fees, of the Authority incurred hereafter.

(c) The Company will also pay the reasonable fees and expenses of the Trustee and any Paying Agents under the Indenture, such reasonable fees and expenses to be paid directly to the Trustee or any Paying Agents for the Trustee's or any such Paying Agents' own account as and when such reasonable fees and expenses become due and payable, and any reasonable expenses in connection with any redemption of the Bonds.

(d) The Company shall also make any payments required under the Tax Certificate.

(e) If the Company should fail to make any of the payments required in this Section 4.02, the item or installment so in Default shall continue as an obligation of the Company until the amount in Default shall have been fully paid, and the Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the Late Payment Rate per annum.

Section 4.03. Obligations of Company Hereunder Unconditional. The obligations of the Company to make the payments required under the First Mortgage Bonds and in Section 4.02 and other sections hereof and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the Company, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to the Company by the Authority or the Trustee and until such time as the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Company (a) will not suspend or discontinue any payments provided for in Section 4.02 hereof, and (b) except as provided in Article VIII hereof, will not terminate the Term of Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or construction, eviction, destruction of or damage to any Project, the taking by eminent domain of title to or temporary use of any or all of the Projects, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

Section 4.04. Preservation of Projects. The Company shall pay all operating costs, utility charges and other costs and expenses arising out of ownership, possession, use or operation of the Projects. The Authority shall have no obligation and makes no warranties respecting the condition or operation of the Projects. The Company will not use as a basis for contesting any assessment or levy of any tax the financing under this Agreement or the issuance of the Bonds by the Authority and, if any administrative body or court of competent jurisdiction shall hold for any reason that the Projects are exempt from taxation by reason of the financing under this Agreement or issuance of the Bonds by the Authority or other Authority action in respect thereto, the Company covenants to make payments in lieu of all such taxes in an amount equal to such taxes and, if applicable, interest and penalties.

Section 4.05. Taxes and Governmental Charges. The Company will pay or cause to be paid, during the Term of Agreement, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to its properties and assets. The Company may, at the Company's expense and in the Company's name, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom.

Section 4.06. Limitation of Authority's Liability. THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Pursuant to the Act, neither the members of the Authority, nor any person executing bonds for the Authority, shall be liable personally on said bonds by reason of the issuance thereof.

ARTICLE V

SPECIAL COVENANTS AND AGREEMENTS

Section 5.01. No Warranty of Condition or Suitability by Authority. The Authority makes no warranty, either express or implied, as to the Projects or the condition thereof, or that the Projects will be suitable for the purposes or needs of the Company.

Section 5.02. Further Assurances and Corrective Instruments. (a) Subject to the provisions of the Indenture, the Authority and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements and amendments hereto and such further instruments as may reasonably be required for carrying out the intention or facilitating the performance of this Agreement, the Mortgage Indenture or the transactions contemplated hereby or thereby.

(b) The Company shall cause this Agreement, the Supplemental Mortgage Indenture and all necessary UCC financing statements (including continuation statements) to be recorded and filed in such manner and in such places as may be required by law to fully preserve and protect the security of the holders and the rights of the Trustee and to perfect the security interest created by the Indenture and the Mortgage Indenture, except that the Mortgage Indenture (including the Supplemental Mortgage Indenture) shall not be required to be recorded in Cumberland County, New Jersey. The Company hereby represents and warrants that: the only real estate owned by the Company in Cumberland County, New Jersey consists of the following properties in Downe Township, which were acquired by the Company by virtue of the merger in 2006 of the Company's wholly-owned subsidiary, Bayview Water Company, into the Company: (i) 55-57 Virginia Ave, which is 0.41 acres of vacant land whose tax assessment is \$1,000 and whose annual property tax is \$17; (ii) Delaware Avenue along the Canal, which is 1.72 acres of vacant land whose tax assessment is \$1,000 and whose annual property tax is \$17; (iii) 150 New Jersey Avenue, which is 0.15 acres of land improved with a pumping station, whose tax assessment is \$76,000 and whose annual property tax is \$1,315; and (iv) 862 Downe Avenue, which is 0.17 acres of land improved with a pumping station, whose tax assessment is \$76,000 and whose annual property tax is \$1,315. The Company further represents and warrants that (as indicated in the Company's most recent SEC Form 10-K) the Bayview system is not physically interconnected with the Company's systems in Middlesex County and Union County, New Jersey; and the Bayview system produced less than one percent (1%) of the Company's 2011 consolidated operating revenues..

Section 5.03. Authority and Company Representatives. Whenever under the provisions of this Agreement the approval of the Authority or the Company is required or the Authority or the Company is required to take some action, such approval or such request shall be given for the Authority by an Authority Representative, for the Company by a Company Representative; and the Authority and the Trustee and any party hereto shall be authorized to act on any such approval or request.

ARTICLE VI

INDEMNIFICATION AND REDEMPTION

Section 6.01. [Intentionally Omitted.]

Section 6.02. Indemnification Covenants.

(a) The Company agrees to and does hereby indemnify and hold harmless Indemnified Parties against any and all losses, claims, damages or liabilities (including all costs, expenses and reasonable counsel fees incurred in investigating or defending such claim) suffered by any of the Indemnified Parties and caused by, relating to, arising out of, resulting from, or in any way connected with (i) the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation, financing or sale of the Projects or any part thereof including the payment of rebate to the federal government; or (ii) any untrue statement of a material fact contained in information provided by the Company with respect to the transactions contemplated hereby; (iii) any omission of a material fact necessary to be stated therein in order to make such statement not misleading or incomplete; or (iv) the acceptance or administration by the Authority of its duties under the Trust Indenture (other than those caused by the gross negligence or willful misconduct of the Authority); or (v) the acceptance or administration or performance by the Trustee of its duties under the Trust Indenture (other than those caused by the negligence or willful misconduct of the Trustee). In case any action shall be brought against one or more of the Indemnified Parties based upon any of the above and in respect to which indemnity may be sought against the Company, such Indemnified Party shall promptly notify the Company in writing, and except where the Company is the claimant the Company shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party, the payment of all costs and expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel at the Company's expense in any such action and to participate in the defense thereof if, in the reasonable opinion of the Indemnified Party, a conflict of interest could arise out of the representation of the parties by the same counsel. The Company shall not be liable for any settlement of any such action effected without the Company's consent, but if settled with the consent of the Company, or if there is a final judgment for the claimant on any such action, the Company agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement of judgment.

(b) The Company agrees to and does hereby indemnify and hold harmless the Indemnified Parties against any and all losses, claims, damages or liabilities (including all costs, expenses, and reasonable counsel fees incurred in investigating or defending such claim) suffered by any of the Indemnified Parties and caused by relating to, arising out of, resulting from, or in any way connected to an examination, investigation or audit of the Bonds by the Internal Revenue Service (the "IRS"). In the event of such examination, investigation or audit, the Indemnified Parties shall have the right to employ counsel at the Company's expense. In such event, the Company shall assume the primary role in responding to and negotiating with the IRS, but shall inform the Indemnified Parties of the status of the investigation. In the event the Company fails to respond adequately and promptly to the IRS, the Authority shall have the right to assume the primary role in responding to and negotiating with the IRS and shall have the right to enter into a closing agreement, for which Company shall be liable.

(c) Notwithstanding anything in this Agreement to the contrary which may limit recourse to the Company or may otherwise purport to limit the Company's liability, the provisions of this Section shall control the Company's obligations and shall survive repayment of the Bonds.

Section 6.03. Assignment of Interest in This Agreement by Authority. Any assignment or pledge by the Authority to the Trustee pursuant to the Indenture of any interest in this Agreement or any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 6.04. Optional Redemption of Bonds. With the exception of the Series A Bonds, the Company shall have and is hereby granted the option to prepay from time to time the amounts payable under this Agreement in sums sufficient to redeem or to pay or cause to be paid all or part of the Bonds in accordance with the provisions of Section 3.01 of the Indenture. On or before the date set for redemption in the Company's notice of redemption, the Company shall pay to the Trustee an amount equal to the then applicable redemption price for the First Mortgage Bonds or as a prepayment of the First Mortgage Bonds, plus interest accrued to the redemption date. Upon the agreement of the Company to deposit moneys in the Bond Fund in an amount sufficient to redeem Bonds subject to redemption, the Authority, at the request of the Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds, as may be specified by the Company, on the date established for such redemption.

Section 6.05. References to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee and the Authority, all references in this Agreement to the Bonds and the Trustee shall be ineffective, and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

Section 6.06. Authority To Grant Security Interest to Trustee. The parties hereto agree that pursuant to the Indenture, the Authority shall assign to the Trustee in order to secure payment of the Bonds all of the Authority's right, title and interest in this Agreement subject to the Reserved Rights.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default Defined. The following shall be “Events of Default” under this Agreement and the terms “Event of Default” and “Default” shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) default in the payment of any installment of the principal or interest on the First Mortgage Bonds on the date when due after giving effect to any applicable grace period; or

(b) the occurrence of an "event of default" under the Mortgage Indenture other than an event of default resulting from a default in the payment of any installment of the principal or interest on the First Mortgage Bonds on the date when due, and the acceleration of the First Mortgage Bonds as a result of such "event of default"; or

(c) if any material representation or warranty by, or by an authorized representative of the Company on behalf of, the Company made herein or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement shall prove to be false or misleading in any material respect when made; or

(d) default in the performance, or breach, of any covenant or warranty of the Company in this Agreement or any other Loan Document with respect to (other than a default in the performance, or breach, of a covenant or warranty where such performance or breach is elsewhere in this Section 7.01 specifically dealt with or which has expressly been included in this Agreement), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company and the Mortgage Trustee by the Trustee, or to the Company, the Mortgage Trustee and the Trustee by the Holders of at least 25% in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder; or

(e) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company (or the payment of which is guaranteed by the Company), if that default is caused by a failure to pay principal at its stated maturity after giving effect to any applicable grace period, or results in the acceleration of such indebtedness prior to its stated maturity and, in each case, the principal amount of such indebtedness, together with the principal amount of any other indebtedness under which there has been a payment default after stated maturity or the maturity of which has been so accelerated, aggregates \$25,000,000 or more; or

(f) the Company (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(g) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company, as the case may be, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company, or any such petition shall be filed against the Company and such petition shall not be dismissed within sixty (60) days; or

(h) a final judgment or judgments for the payment of money in an aggregate amount (to the extent not paid or insured) in excess of \$25,000,000 are rendered against the Company and which judgments are not, within sixty (60) days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within sixty (60) days after the expiration of such stay; or

(i) The occurrence of an Event of Default under the Indenture.

The provisions of subsection (b) of this Section are subject to the following limitation: if by reason of force majeure the Company is unable in whole or in part to carry out any of its agreements contained herein (other than its obligations contained in Sections 4.01, 4.02 and 4.03 hereof and any other Reserved Right), the Company shall not be deemed in Default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; and any other cause or event not reasonably within the control of the Company. The Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out such agreement, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and it shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in its judgment unfavorable to it.

Section 7.02. Remedies on Default. Whenever any Event of Default referred to in Section 7.01 hereof shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps:

(a) By written notice to the Company, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable, whereupon the same shall become immediately due and payable;

(b) The First Mortgage Bonds may be redeemed, together with interest then due thereon, by delivery of written notice of the Authority's or the Trustee's exercise of such option to the Trustee and the Company, such payments to be immediately due and payable, subject to the terms and conditions of the Mortgage Indenture, or the First Mortgage Bonds may be sold in conformity with the provisions of the New Jersey Uniform Commercial Code (provided the same is in compliance with all securities laws);

(c) Have reasonable access to and inspect, examine and make copies of the books and records of the Company relating to the Projects; or

(d) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement or the Mortgage Indenture.

Any amounts collected pursuant to action taken under this Section 7.02 shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

Section 7.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article. Such rights and remedies as are given the Authority hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 7.04. Agreement To Pay Attorneys' Fees and Expenses. In the event the Company should default under any of the provisions of this Agreement and the Authority or the Trustee should employ attorneys or reasonably incur other expenses for the collection of payments required hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Company herein contained, the Company agrees that it will within thirty (30) days after demand therefor pay to the Authority or the Trustee, as the case may be, the reasonable fee of such attorneys and such other expenses so incurred.

Section 7.05. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.06. Additional Remedies. In addition to the above remedies, if the Company commits a breach, or threatens to commit a breach of this Agreement, or of any other document executed by the Company in connection therewith, the Authority shall have the right and remedy, without posting bond or other security, to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause immediate and irreparable injury to the Authority and that money damages will not provide an adequate remedy therefor.

Section 7.07. Waiver. Upon the occurrence and during the continuance of an Event of Default, to the extent that such rights may then lawfully be waived, neither the Company, nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws of any jurisdiction now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture, and the Company, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws.

ARTICLE VIII

OPTIONS; PREPAYMENT OF LOAN

Section 8.01. Option To Terminate at Any Time. The Company shall have, and is hereby granted, the option to terminate the Term of Agreement at any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of Article VIII of the Indenture) (a) by paying to the Trustee an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire and redeem all the Outstanding Bonds in accordance with the Indenture (including, without limiting the generality of the foregoing, principal of and interest to maturity or applicable redemption date, as the case may be, expenses of redemption and the Authority's, the Trustee's and the Paying Agents' fees and expenses) and any other amounts described in the last full paragraph of Section 8.02 hereof, and, in case of redemption, by making arrangements satisfactory to the Trustee for the giving of the required notice of redemption and (b) by giving the Authority notice in writing of such termination, and such termination shall forthwith become effective.

Section 8.02. Option To Prepay Loan Upon the Occurrence of Certain Events. The Company shall have, and is hereby granted, the option or right to terminate the Term of Agreement and prepay the amounts payable hereunder prior to the full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) at any time and if any of the events set forth below shall occur:

(a) Any Project shall have been damaged or destroyed to such extent that the First Mortgage Bonds shall be required to be redeemed pursuant to subsection B of Section 4 of Article VIII of the Second Supplemental Indenture dated October 1, 1939;

(b) Title to, or the use, of all or a portion of any Project, shall have been taken under the exercise of the power of eminent domain, or shall be purchased, by, any governmental body or by any person, firm or corporation acting under governmental authority and the same shall require the First Mortgage Bonds to be redeemed pursuant to subsection B of Section 4 of Article VIII of the Second Supplemental Indenture dated October 1, 1939;

(c) Changes which the Company cannot reasonably control or overcome in the economic availability of materials, supplies, labor, equipment and other properties and things necessary for the efficient operation or of the Projects for the purpose contemplated by this Agreement shall have occurred, or technological or other changes shall have occurred which, in the opinion of the Company expressed in a certificate of the Company Representative filed with the Authority and the Trustee, render the continued operation of the Projects uneconomical for such purposes;

(d) As a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Company in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in this Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Company in respect to the Projects, including, without limitation, federal, state or other *ad valorem*, property, income or other taxes not being imposed on the date of this Agreement; or

(e) The Company files a certificate of the Company Representative with the Authority and the Trustee stating that as a result of circumstances unforeseen at the time the Bonds were issued, the Company has decided to discontinue operation of the Projects.

To exercise such prepayment option, the Company shall, within 90 days following the event authorizing such prepayment, give written notice to the Authority and to the Trustee and shall specify therein the date of prepaying the loan, which date shall be not less than 50 days nor more than 90 days from the date such notice is mailed, and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. The prepayment amount payable by the Company in the event of its prepayment pursuant to this Section shall be the sum of the following:

(i) An amount of money which, when added to the amount then on deposit and available in the Bond Fund, will be sufficient to pay, retire and redeem all the Outstanding Bonds pursuant to the terms of the Indenture, including, without limitation, the principal amount thereof, all interest to accrue to said redemption date and expenses, plus

(ii) An amount of money equal to the Trustee's and Paying Agents' fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Bonds, plus

(iii) An amount of money equal to the Authority's fees and expenses under this Agreement accrued and to accrue until such final payment and redemption of the Bonds, plus

(iv) All other liabilities and payment obligations of the Company accrued and to accrue under this Agreement until such final payment and redemption of the Bonds.

ARTICLE IX

OBLIGATION TO PREPAY LOAN IN CERTAIN EVENTS

Section 9.01. Determination of Taxability. The Company shall be obligated to prepay the amounts payable hereunder, and accordingly cause redemption of the Bonds pursuant to Section 3.01(a)(ii) of the Indenture, within 180 days after a Determination of Taxability (as defined below) shall have occurred by prepaying an amount equal to, when added to other funds on deposit in the Bond Fund, (a) 100% of the aggregate principal amount of Bonds Outstanding at the time of a Determination of Taxability plus accrued interest to the redemption date, plus (b) an amount of money equal to the Trustee's and Paying Agent's fees and expenses under the Indenture accrued and to accrue until such prepayment and redemption of the Bonds, plus (c) an amount of money equal to all sums due to the Authority under this Agreement.

A "Determination of Taxability" shall have been deemed to occur if, as a result of an Event of Taxability, a final decree or judgment of any federal court or a final action of the Internal Revenue Service determines that interest paid or payable on any Bond is or was includable in the gross income of a holder, Beneficial Owner, former holder or former Beneficial Owner of the Bonds for federal income tax purposes under Section 103 (or a successor provision to Section 103) of the Code (other than a holder who is or was a substantial user or related person within the meaning of Section 147(a) of the Code). However, no such decree or action will be considered final for this purpose unless the Company has been given written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any holder, Beneficial Owner, former holder or former Beneficial Owner of a Bond, provided that in the event the Company contests such decree or action in the name of a holder, Beneficial Owner, former holder or former Beneficial Owner of a Bond, the Company agrees to pay all expenses of such contest and offers such holder, Beneficial Owner, former holder or former Beneficial Owner indemnity with respect to such expenses, and until conclusion of any appellate review, if sought. If the Trustee receives written notice from any such holder, Beneficial Owner, former holder or former Beneficial Owner stating that (a) the holder, Beneficial Owner, former holder or former Beneficial Owner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on any Bond in the gross income of such holder, Beneficial Owner, former holder or former Beneficial Owner for the reasons described herein or any other proceeding has been instituted against such holder, Beneficial Owner, former holder or former Beneficial Owner which may lead to a final decree or action as described herein and (b) such holder, Beneficial Owner, former holder or former Beneficial Owner will afford the Company the opportunity to contest the same, either directly or in the name of such holder, Beneficial Owner, former holder or former Beneficial Owner, provided that in the event the Company contests such decree or action in the name of a holder, Beneficial Owner, former holder or former Beneficial Owner of a Bond, the Company agrees to pay all expenses of such contest and offers such holder, Beneficial Owner, former holder or former Beneficial Owner indemnity with respect to such expenses, and until a conclusion of any appellate review, if sought, and the Trustee is satisfied that such information is accurate, then the Trustee shall promptly give written notice thereof to the Company and the Authority and to each such holder, Beneficial Owner, former holder or former Beneficial Owner and to all other registered owners of the Bonds. The Trustee shall thereafter coordinate any similar requests or notices it may have received from other holders, Beneficial Owners, former holders or former Beneficial Owners and shall keep them informed of the progress of any administrative proceedings or litigation. If a final decree or action as described above thereafter occurs, the Trustee shall make the required demand for prepayment of the amounts payable hereunder and redemption of the Bonds and give notice of the redemption of the Bonds at the earliest practical date, but not later than the date specified in this Article, and in the manner provided by Section 3.02 of the Indenture.

An "Event of Taxability" shall mean the failure of the Company to observe any covenant, agreement or representation herein, which failure results in a Determination of Taxability.

The prepayment amount shall be applied, together with other available moneys in the Bond Fund, to the redemption of the Bonds on the earliest possible date after notice as provided in the Indenture, whether or not such date is an Interest Payment Date, and to the payment of the Trustee's and Paying Agents' fees and expenses under the Indenture accrued to such prepayment and redemption of the Bonds, and to all sums due to the Authority under this Agreement.

Section 9.02. Public Purpose Covenant Violations. The Company shall prepay the First Mortgage Bonds in full, together with interest accrued and to accrue to the redemption date upon the occurrence of one of the following events: (a) the Company ceases to operate any Project or to cause any Project to be operated as an authorized project under the Act for twelve (12) consecutive months, without first obtaining the prior written consent of the Authority, or (b) any material representation or warranty made by the Company in the Agreement or in any document furnished in connection with the Agreement proves to have been false or misleading in any material respect when made. The Authority shall give notice to the Company and the Trustee of such occurrence; whereupon the Trustee shall give notice to the Bondholders of the redemption of the Bonds pursuant to Sections 3.01 and 3.02 of the Indenture and will set a redemption date according to Section 3.01 of the Indenture, but in no event later than sixty (60) days after the Authority gives notice to the Trustee of the occurrence. The prepayment of the First Mortgage Bonds shall be due and payable on the second Business Day preceding the redemption date. Payment on the First Mortgage Bonds by the Company pursuant to this Section shall be in an amount sufficient, together with other funds on deposit with the Trustee which are available for such purpose, to redeem the Bonds then Outstanding, and to pay (i) all administrative expenses accrued and to accrue through the redemption date and (ii) any other expenses and fees required to satisfy and discharge the Indenture.

ARTICLE X

MISCELLANEOUS

Section 10.01. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof until all of the Bonds, the First Mortgage Bonds and the fees and expenses of the Authority, the Trustee and any Paying Agents shall have been fully paid or provision made for such payments.

Section 10.02. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or three days after having been mailed, by registered or certified mail, postage prepaid, addressed as follows:

if to the Authority: New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625
Attention: Director of Program Services

if to the Company: Middlesex Water Company
1500 Ronson Road
Iselin, New Jersey 08830-3020
Attention: A. Bruce O'Connor
Vice President and Chief Financial Officer

if to the Trustee: Deutsche Bank National Trust Company
100 Plaza One, 6th Floor, MS: JCY03-0699
Jersey City, NJ 07311

if to the Underwriters:

A duplicate copy of each notice, certificate or other communication given hereunder by the Authority or the Company shall also be given to the Trustee and the Underwriters. The Authority, the Company, the Trustee and the Underwriters may, by written notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.03. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the Company, the Trustee, the Bondholders and their respective successors and assigns, subject, however, to the limitations contained in Sections 2.03(d), 6.01 and 6.03 hereof.

Section 10.04. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.05. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or earlier termination of the Term of Agreement, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees and expenses of the Trustee and any Paying Agents in accordance with the Indenture, shall belong to and be paid to the Company by the Trustee as the return of an overpayment of the amounts payable hereunder.

Section 10.06. Amendments, Changes and Modifications. Subsequent to the issuance of Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and except as otherwise herein expressly provided, this Agreement may not be amended or terminated without the written consent of the Trustee and, to the extent provided in Article XII of the Indenture, in accordance with the provisions of the Indenture.

Section 10.07. No Personal Liability of Company Officials. No covenant or agreement contained in the Bonds or in this Agreement shall be deemed to be the covenant or agreement of any officer, director, agent or employee of the Company in his or her individual capacity. No recourse shall be had for the payment of the principal of and interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in this Agreement against any past, present or future officer, director, agent or employee of the Company, or any incorporator, officer, employee, director or agent of any successor corporation, as such, either directly or through the Company or any successor corporation of the Company, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporator, officer, employee, director or agent as such is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

Section 10.08. Authority Not Liable. The Authority shall not be obligated to pay the principal of or interest on the Bonds, except from receipts and revenues actually received by the Authority or the Trustee under this Agreement. The Company hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the loan payments made by the Company pursuant to this Agreement, together with other revenues, including investment income on certain funds and accounts held by the Trustee under the Indenture and the proceeds of the Bonds, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of and interest on the Bonds, as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Company shall pay such amounts as are required from time to time to make up any deficiency or default in the payment of such principal or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Company, the Authority or any third party; provided, however, that such payment shall not constitute a waiver of any right or remedy which the Company may possess to recover such payment from any party whose acts, omissions, nonfeasance or malfeasance has caused or contributed to such deficiency.

Section 10.09. Delegation of Duties by Authority. It is agreed that, under the terms of this Agreement and also under the terms of the Indenture, the Authority has delegated certain of its duties hereunder to the Company and to the Trustee. The fact of such delegation shall be deemed sufficient compliance by the Authority to satisfy the duties so delegated, and the Authority shall not be liable in any way by reason of acts done or omitted by the Company, any Company Representative or the Trustee. The Authority shall have the right at all times to act in reliance upon the authorization, representation or certification of any Company Representative or the Trustee.

Section 10.10. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.11. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State (without regard to the State's conflicts of laws principles).

Section 10.12. Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement.

Section 10.13. Application of New Jersey Contractual Liability Act. Notwithstanding anything to the contrary contained herein, the forgoing is subject to the limitations of the provisions of the New Jersey Contractual Liability Act, N.J. S. A. 59:13-1, et seq. and the New Jersey Tort Claims Act, N.J.S.A. 59:2-1, et seq. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. is not applicable by its terms to claims arising under contracts with the Authority, the Underwriters and the Company hereby agree that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims arising against the Authority under this agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Authority has caused this Agreement to be executed in its corporate name and attested by its duly authorized officials, and the Company has caused this Agreement to be executed in its corporate name and attested by its duly authorized officers, all as of the date first above written.

**NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY**

By: /s/John J. Rosenfeld

John J. Rosenfeld

Director of Bonds and Incentives Services

ATTEST:

/s/Gregory Ritz

Gregory Ritz

Assistant Secretary

[AUTHORITY SIGNATURE PAGE TO LOAN AGREEMENT]

MIDDLESEX WATER COMPANY

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

ATTEST:

By /s/ Kenneth G. Quinn
Kenneth G. Quinn
Vice President and Corporate Secretary

[COMPANY SIGNATURE PAGE TO LOAN AGREEMENT]

EXHIBIT A

Form of First Mortgage Bonds

See Tab No. 21

SCHEDULE A

LIST OF PROJECT MUNICIPALITIES

Municipality	County
Woodbridge, Township of	Middlesex
Edison, Township of	Middlesex
Old Bridge, Township of	Middlesex
Carteret, Borough of	Middlesex
Metuchen, Borough of	Middlesex
South Plainfield, Borough of	Middlesex
Sayreville, Borough of	Middlesex
Highland Park, Borough of	Middlesex
New Brunswick, City of	Middlesex

Middlesex Water Company**Subsidiaries**

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

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 No. 333-160757 and No. 333-166425 and Form S-8 No. 333-156269 of Middlesex Water Company of our reports dated March 7, 2013 relating to the consolidated financial statements and the effectiveness of Middlesex Water Company's internal control over financial reporting, which appear in this Form 10-K.

/s/ParenteBeard LLC

Reading, Pennsylvania
March 7, 2013

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

I, Dennis W. Doll, certify that:

1. I have reviewed this Annual Report on Form 10-K of Middlesex Water Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/Dennis W. Doll

Dennis W. Doll

Chief Executive Officer

Date: March 7, 2013

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

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

1. I have reviewed this Annual Report on Form 10-K of Middlesex Water Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/A. Bruce O'Connor
A. Bruce O'Connor
Chief Financial Officer

Date: March 7, 2013

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

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

/s/Dennis W. Doll

Dennis W. Doll
Chief Executive Officer

Date: March 7, 2013

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

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

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

/s/A. Bruce O'Connor

A. Bruce O'Connor
Chief Financial Officer

Date: March 7, 2013

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