MIDDLESEX WATER CO
Form 10-Q
August 04, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _________________ to_____________________

Commission File Number 0-422

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

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

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

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

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its 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 such shorter period that the registrant was required to submit and post files).
Yes þ No ¨

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 þ 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 þ

The number of shares outstanding of each of the registrant's classes of common stock, as of August 2, 2011: Common Stock, No Par Value: 15, 618,317 shares outstanding.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Operating Revenues	$26,102	$26,538	$50,098	$48,184
Operating Expenses:				
Operations and Maintenance	14,062	13,576	28,093	27,170
Depreciation	2,417	2,236	4,829	4,439
Other Taxes	2,885	2,832	5,670	5,391
Total Operating Expenses	19,364	18,644	38,592	37,000
Operating Income	6,738	7,894	11,506	11,184
Other Income (Expense):				
Allowance for Funds Used During Construction	197	348	391	642
Other Income	202	189	359	360
Other Expense	(111)	(33)	(160)	(53)
Total Other Income, net	288	504	590	949
Interest Charges	1,714	1,882	2,928	3,306
Income before Income Taxes	5,312	6,516	9,168	8,827
Income Taxes	1,687	2,092	2,913	2,843
Net Income	3,625	4,424	6,255	5,984
Preferred Stock Dividend Requirements	51	52	103	104
Earnings Applicable to Common Stock	$3,574	$4,372	$6,152	$5,880
Earnings per share of Common Stock:				
Basic	$0.23	$0.31	$0.40	$0.43
Diluted	$0.23	$0.31	$0.40	$0.42
Average Number of				
Common Shares Outstanding :				

Basic	15,598	13,972	15,587	13,756
Diluted	15,861	14,235	15,850	14,019
Cash Dividends Paid per Common Share	$0.1825	$0.1800	$0.3650	$0.3600

See Notes to Condensed Consolidated Financial Statements.

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MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

			June 30, 2011		December 31, 2010
ASSETS					
UTILITY PLANT:	Water Production	$	124,054	$	118,919
	Transmission and Distribution		317,738		308,468
	General		44,908		44,368
	Construction Work in Progress		14,261		11,715
	TOTAL		500,961		483,470
	Less Accumulated Depreciation		88,440		84,737
	UTILITY PLANT - NET		412,521		398,733
CURRENT ASSETS:	Cash and Cash Equivalents		4,283		2,453
	Accounts Receivable, net		10,663		11,963
	Unbilled Revenues		6,319		4,752
	Materials and Supplies (at average cost)		1,949		2,196
	Prepayments		2,237		1,401
	TOTAL CURRENT ASSETS		25,451		22,765
DEFERRED CHARGES	Unamortized Debt Expense		2,676		2,739
AND OTHER ASSETS:	Preliminary Survey and Investigation Charges		5,687		7,023
	Regulatory Assets		37,791		38,771
	Operations and Developer Contracts Fees Receivable		4,062		4,589
	Restricted Cash		5,911		7,056
	Non-utility Assets - Net		7,455		7,122
	Other		579		387
	TOTAL DEFERRED CHARGES AND OTHER ASSETS		64,161		67,687
	TOTAL ASSETS	$	502,133	$	489,185
CAPITALIZATION AND LIABILITIES					
CAPITALIZATION:	Common Stock, No Par Value	$	140,543	$	139,534
	Retained Earnings		34,209		33,745
	TOTAL COMMON EQUITY		174,752		173,279
	Preferred Stock		3,353		3,362
	Long-term Debt		134,709		133,844
	TOTAL CAPITALIZATION		312,814		310,485
CURRENT	Current Portion of Long-term Debt		4,448		4,432
LIABILITIES:	Notes Payable		20,250		17,000

	Accounts Payable		5,704		6,403
	Accrued Taxes		9,237		8,752
	Accrued Interest		1,680		1,598
	Unearned Revenues and Advanced Service Fees		866		864
	Other		1,475		1,691
	TOTAL CURRENT LIABILITIES		43,660		40,740
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)					
DEFERRED CREDITS	Customer Advances for Construction		21,404		21,261
AND OTHER LIABILITIES:	Accumulated Deferred Investment Tax Credits		1,186		1,225
	Accumulated Deferred Income Taxes		30,136		29,691
	Employee Benefit Plans		28,665		28,562
	Regulatory Liability - Cost of Utility Plant Removal		7,692		7,369
	Other		182		154
	TOTAL DEFERRED CREDITS AND OTHER LIABILITIES		89,265		88,262
CONTRIBUTIONS IN AID OF CONSTRUCTION			56,394		49,698
	TOTAL CAPITALIZATION AND LIABILITIES	$	502,133	$	489,185

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$6,255	$5,984
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,174	4,828
Provision for Deferred Income Taxes and Investment Tax Credits	422	579
Equity Portion of Allowance for Funds Used During Construction (AFUDC)	(260)	(396)
Cash Surrender Value of Life Insurance	(86)	219
Stock Compensation Expense	234	193
Changes in Assets and Liabilities:		
Accounts Receivable	1,827	(466)
Unbilled Revenues	(1,567)	(2,361)
Materials & Supplies	247	(177)
Prepayments	(836)	(458)
Accounts Payable	(699)	875
Accrued Taxes	485	3,373
Accrued Interest	82	(254)
Employee Benefit Plans	891	250
Unearned Revenue & Advanced Service Fees	2	28
Other Assets and Liabilities	(87)	(435)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,084	11,782
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures, Including AFUDC of $131 in 2011, $246 in 2010	(11,039)	(15,981)
Restricted Cash	1,145	349
NET CASH USED IN INVESTING ACTIVITIES	(9,894)	(15,632)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	(1,434)	(1,485)
Proceeds from Issuance of Long-term Debt	2,315	10,000
Net Short-term Bank Borrowings	3,250	(29,350)
Deferred Debt Issuance Expense	(19)	-
Common Stock Issuance Expense	-	(111)
Repurchase of Preferred Stock	(9)	-
Proceeds from Issuance of Common Stock	775	29,102
Payment of Common Dividends	(5,688)	(4,879)
Payment of Preferred Dividends	(103)	(104)
Construction Advances and Contributions-Net	553	437

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(360)	3,610
NET CHANGES IN CASH AND CASH EQUIVALENTS	1,830	(240)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,453	4,278
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$4,283	$4,038
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Utility Plant received as Construction Advances and Contributions	$6,288	$750
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid During the Year for:		
Interest	$2,918	$3,608
Interest Capitalized	$131	$246
Income Taxes	$2,550	$79

See Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2011	December 31, 2010
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares		
Outstanding - 2011 - 15,611	$ 140,543	$ 139,534
2010 - 15,566		
Retained Earnings	34,209	33,745
TOTAL COMMON EQUITY	$ 174,752	$ 173,279
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	89
Shares Outstanding, $4.75 Series - 10	1,000	1,000
TOTAL PREFERRED STOCK	$ 3,353	$ 3,362
Long-term Debt:		
8.05%, Amortizing Secured Note, due December 20, 2021	$ 2,389	$ 2,456
6.25%, Amortizing Secured Note, due May 19, 2028	7,105	7,315
6.44%, Amortizing Secured Note, due August 25, 2030	5,367	5,507
6.46%, Amortizing Secured Note, due September 19, 2031	5,647	5,787
4.22%, State Revolving Trust Note, due December 31, 2022	566	585
3.30% to 3.60%, State Revolving Trust Note, due May 1, 2025	3,639	3,655
3.49%, State Revolving Trust Note, due January 25, 2027	649	664
4.03%, State Revolving Trust Note, due December 1, 2026	845	865
4.00% to 5.00%, State Revolving Trust Bond, due September 1, 2021	522	522
0.00%, State Revolving Fund Bond, due September 1, 2021	389	397
3.64%, State Revolving Trust Note, due July 1, 2028	372	387
3.64%, State Revolving Trust Note, due January 1, 2028	124	130
6.59%, Amortizing Secured Note, due April 20, 2029	6,220	6,395
7.05%, Amortizing Secured Note, due January 20, 2030	4,646	4,771
5.69%, Amortizing Secured Note, due January 20, 2030	9,530	9,786
3.45%, State Revolving Trust Note, due August 1, 2031	29	17
3.75%, State Revolving Trust Note, due July 31, 2031	952	-
3.75%, State Revolving Trust Note, due November 30, 2030	1,352	-
First Mortgage Bonds:		

5.20%, Series S, due October 1, 2022		12,000		12,000
5.25%, Series T, due October 1, 2023		6,500		6,500
5.25%, Series V, due February 1, 2029		10,000		10,000
5.35%, Series W, due February 1, 2038		23,000		23,000
0.00%, Series X, due September 1, 2018		422		430
4.25% to 4.63%, Series Y, due September 1, 2018		590		590
0.00%, Series Z, due September 1, 2019		987		1,007
5.25% to 5.75%, Series AA, due September 1, 2019		1,440		1,440
0.00%, Series BB, due September 1, 2021		1,303		1,328
4.00% to 5.00%, Series CC, due September 1, 2021		1,680		1,680
5.10%, Series DD, due January 1, 2032		6,000		6,000
0.00%, Series EE, due August 1, 2023		5,126		5,224
3.00% to 5.50%, Series FF, due August 1, 2024		6,555		6,555
0.00%, Series GG, due August 1, 2026		1,418		1,440
4.00% to 5.00%, Series HH, due August 1, 2026		1,715		1,715
0.00%, Series II, due August 1, 2024		1,215		1,239
3.40% to 5.00%, Series JJ, due August 1, 2027		1,625		1,625
0.00%, Series KK, due August 1, 2028		1,590		1,616
5.00% to 5.50%, Series LL, due August 1, 2028		1,695		1,695
0.00%, Series MM, due August 1, 2030		1,968		1,968
3.00% to 4.375%, Series NN, due August 1, 2030		1,985		1,985
SUBTOTAL LONG-TERM DEBT		139,157		138,276
Less: Current Portion of Long-term Debt		(4,448)		(4,432)
TOTAL LONG-TERM DEBT	$	134,709	$	133,844

See Notes to Condensed Consolidated Financial Statements.

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MIDDLESEX WATER COMPANY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation and Recent Matters

Middlesex Water Company (Middlesex or the Company) 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. 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.

The consolidated notes within the 2010 Annual Report on Form 10-K (the 2010 Form 10-K) are applicable to these financial statements and, in the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary (including normal recurring accruals) to present fairly the financial position as of June 30, 2011, the results of operations for the three and six month periods ended June 30, 2011 and 2010 and cash flows for the six month periods ended June 30, 2011 and 2010. Information included in the Condensed Consolidated Balance Sheet as of December 31, 2010, has been derived from the Company's audited financial statements for the year ended December 31, 2010 included in the 2010 Form 10-K.

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

TESI Purchases Wastewater Treatment Facility
In May 2011, TESI acquired its seventh wastewater system for approximately $0.1 million. This wastewater system serves a seventy-five customer development located in Lewes, Delaware. The wastewater plant is among several other nearby TESI-owned facilities providing regulated wastewater services to residential developments within the region. Tidewater provides water service to several communities in the area, including the development where the wastewater system is located.

Recent Accounting Guidance
In the second quarter of 2011, there was no new adopted or proposed accounting guidance that did or could have a material impact on the Company's financial statements.

Note 2 – Rate Matters

In January 2011, Middlesex filed an application with the New Jersey Board of Public Utilities (NJBPU) seeking permission to establish a Purchased Water Adjustment Clause (PWAC) and implement a tariff rate sufficient to recover increased costs of $0.4 million to purchase untreated water from the New Jersey Water Supply Authority (NJWSA) and treated water from a non-affiliated regulated water utility. The parties have reached a settlement agreement accepting the $0.4 million PWAC, which has been approved by a New Jersey Administrative Law Judge. A final decision is expected from the NJBPU in late August 2011. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request.

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A Distribution System Improvement Charge (DSIC) is a Delaware Public Service Commission (DEPSC) approved rate-mechanism that allows water utilities to recover investment in non-revenue producing capital improvements to the water system between base rate proceedings. Effective July 1, 2011, Tidewater's DEPSC approved DSIC was increased from 1.34% to 1.98%.

Effective June 1, 2011, the DEPSC approved a multi-year agreement for a phased-in base rate increase for Southern Shores. This increase was necessitated by 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 on June 30, 2020, Southern Shores will also increase rates on January 1, 2012, and each successive January 1st through 2015, to generate approximately $0.1 million of additional revenue on an annual basis with each increase. Thereafter, rate increases, if any, cannot exceed the lesser of the regional Consumer Price Index or 3%.

In June 2011, Twin Lakes filed an application with the Pennsylvania Public Utility Commission (PAPUC) seeking permission to increase its base rates by approximately $0.2 million per year. The request was made necessary by capital investments Twin Lakes has made or has committed to make as well as increased operations and maintenance costs. We cannot predict whether the PAPUC will ultimately approve, deny, or reduce the amount of the request. A decision by the PAPUC is not expected until early 2012.

In July 2011, TESI filed an application with the DEPSC seeking permission to increase its base rates by approximately $0.8 million per year. The request was made necessary by capital investments TESI has made or has committed to make as well as increased operations and maintenance costs. We cannot predict whether the DEPSC will ultimately approve, deny, or reduce the amount of the request. A decision by the DEPSC is not expected until early 2012. Concurrent with the rate filing, TESI also submitted a request for a 15.0% interim rate increase subject to refund as allowed under DEPSC regulations. Those interim rates are expected to become effective September 30, 2011.

Note 3 – Capitalization

Common Stock
During the six months ended June 30, 2011, there were 42,319 common shares (approximately $0.8 million) issued under the Company's Amended and Restated Dividend Reinvestment and Common Stock Purchase Plan (DRP).

The Company maintains a stock plan for its non-management directors (Outside Director Stock Compensation Plan). In May 2011, the Company granted and issued 3,833 shares of common stock (approximately $0.1 million) to the non-management directors under the plan.

Preferred Stock
In February 2011, the Company repurchased 93 shares of its $7.00 Series, nonredeemable cumulative preferred stock at par value for approximately $9 thousand.

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Long-term Debt

In March 2011, Tidewater closed on a $2.8 million loan with the Delaware State Revolving Fund (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 June 30, 2011, Tidewater has borrowed $1.0 million 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 June 30, 2011, Southern Shores has borrowed $1.4 million under this loan.

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 condensed consolidated balance sheets for cash and cash equivalents, trade receivables, 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 First Mortgage and SRF Bonds is based on quoted market prices for similar issues. The carrying amount and fair market value of the Company's bonds were as follows:

	(Thousands of Dollars)			
	June 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
First Mortgage Bonds	$ 88,814	$ 87,118	$ 89,037	$ 85,405
SRF Bonds	$ 913	$ 923	$ 919	$ 937

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 $49.5 million at June 30, 2011 and $48.3 million at December 31, 2010. Customer advances for construction have a carrying amount of $21.4 million at June 30, 2011 and $21.3 million at December 31, 2010. 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.

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Note 4 – Earnings Per Share

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

	(In Thousands Except per Share Amounts)			
	Three Months Ended June 30,			
	2011		2010	
Basic:	Income	Shares	Income	Shares
Net Income	$3,625	15,598	$4,424	13,972
Preferred Dividend	(51)		(52)	
Earnings Applicable to Common Stock	$3,574	15,598	$4,372	13,972
Basic EPS	$0.23		$0.31	
Diluted:				
Earnings Applicable to Common Stock	$3,574	15,598	$4,372	13,972
$7.00 Series Preferred Dividend	24	167	24	167
$8.00 Series Preferred Dividend	14	96	14	96
Adjusted Earnings Applicable to Common Stock	$3,612	15,861	$4,410	14,235
Diluted EPS	$0.23		$0.31	

	(In Thousands Except per Share Amounts)			
	Six Months Ended June 30,			
	2011		2010	
Basic:	Income	Shares	Income	Shares
Net Income	$6,255	15,587	$5,984	13,756
Preferred Dividend	(103)		(104)	
Earnings Applicable to Common Stock	$6,152	15,587	$5,880	13,756
Basic EPS	$0.40		$0.43	
Diluted:				
Earnings Applicable to Common Stock	$6,152	15,587	$5,880	13,756
$7.00 Series Preferred Dividend	49	167	49	167
$8.00 Series Preferred Dividend	28	96	28	96
Adjusted Earnings Applicable to Common Stock	$6,229	15,850	$5,957	14,019
Diluted EPS	$0.40		$0.42	

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Note 5 – Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey, 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 New Jersey, Delaware and Pennsylvania with respect to utility services 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.

	(In Thousands)			
	Three Months Ended June 30,		Six Months Ended June 30,	
Operations by Segments:	2011	2010	2011	2010
Revenues:				
Regulated	$23,437	$23,920	$44,673	$43,022
Non – Regulated	2,774	2,729	5,615	5,355
Inter-segment Elimination	(109)	(111)	(190)	(193)
Consolidated Revenues	$26,102	$26,538	$50,098	$48,184
Operating Income:				
Regulated	$6,317	$7,390	$10,652	$10,222
Non – Regulated	421	504	854	962
Consolidated Operating Income	$6,738	$7,894	$11,506	$11,184
Net Income:				
Regulated	$3,372	$4,101	5,745	$5,367
Non – Regulated	253	323	510	617
Consolidated Net Income	$3,625	$4,424	$6,255	$5,984
Capital Expenditures:				
Regulated	$6,024	$10,500	$10,856	$15,910
Non – Regulated	127	32	183	71
Total Capital Expenditures	$6,151	$10,532	$11,039	$15,981

	As of June 30, 2011	As of December 31, 2010
Assets:		
Regulated	$498,663	$486,918
Non – Regulated	9,184	8,116
Inter-segment Elimination	(5,714)	(5,849)
Consolidated Assets	$502,133	$489,185

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Note 6 – Short-term Borrowings

As of June 30, 2011, the Company has established lines of credit aggregating $58.0 million. At June 30, 2011, the outstanding borrowings under these credit lines were $20.3 million at a weighted average interest rate of 1.32%.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were as follows:

	($ In Thousands)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Average Daily Amounts Outstanding	$19,548	$31,555	$18,426	$36,614
Weighted Average Interest Rates	1.59 %	1.69 %	1.59 %	1.61 %

The maturity dates for the $20.3 million outstanding as of June 30, 2011 are as follows: $9.3 million in July 2011 and $11.0 million in August 2011.

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

Note 7 – Commitments and Contingent Liabilities

Contract Operations - USA-PA operates the City of Perth Amboy, NJ's 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.

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 mgd of treated water with provisions for additional purchases.

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Purchased water costs are shown below:

	(In Thousands)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Treated	$ 652	$ 712	$ 1,292	$ 1,431
Untreated	516	522	1,122	1,135
Total Costs	$ 1,168	$ 1,234	$ 2,414	$ 2,566

Construction
The Company expects to spend approximately $22.9 million on its construction program in 2011. 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 8 – Employee Benefit Plans

Pension Benefits
The Company's Pension Plan covers substantially all employees hired prior to March 31, 2007. Employees hired after March 31, 2007 are not eligible to participate in this plan, but do participate in a defined contribution plan that provides an annual contribution into a self-directed retirement account at the discretion of the Company, based upon a percentage of the participants' compensation. In order to be eligible for contribution, the participating employee must be employed by the Company on December 31st of the year to which the award relates. For the three months ended June 30, 2011 and 2010, the Company made Pension Plan cash contributions of $0.4 million and $0.3 million, respectively. For the six months ended June 30, 2011 and 2010, the Company made Pension Plan cash contributions of $0.7 million and $0.6 million, respectively. The Company expects to make additional Pension Plan cash contributions of approximately $2.0 million over the remainder of the current year. The Company also maintains an unfunded supplemental retirement benefit plan for certain active and retired Company Officers and currently pays $0.3 million in annual benefits to the retired participants.

Other Benefits
The Company's Other Benefits Plan covers 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. For the three months ended June 30, 2011 and 2010, the Company made Other Benefits Plan cash contributions of $0 and $0.4 million, respectively. For the six months ended June 30, 2011 and 2010, the Company made Other Benefits Plan cash contributions of $0.5 million and $0.9 million, respectively. The Company expects to make additional Other Benefits Plan cash contributions of approximately $2.3 million over the remainder of the current year.

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The following table sets forth information relating to the Company’s periodic costs for its employee retirement benefit plans:

	(In Thousands)			
	Pension Benefits		Other Benefits	
	Three Months Ended June 30,			
	2011	2010	2011	2010
Service Cost	$ 393	$ 349	$ 327	$ 256
Interest Cost	565	557	401	334
Expected Return on Assets	(570)	(505)	(257)	(190)
Amortization of Unrecognized Losses	142	127	220	133
Amortization of Unrecognized Prior Service Cost	3	2	-	-
Amortization of Transition Obligation	-	-	34	34
Net Periodic Benefit Cost	$ 533	$ 530	$ 725	$ 567
	Six Months Ended June 30,			
	2011	2010	2011	2010
Service Cost	$ 787	$ 698	$ 653	$ 512
Interest Cost	1,130	1,114	802	669
Expected Return on Assets	(1,141)	(1,010)	(513)	(379)
Amortization of Unrecognized Losses	283	253	439	266
Amortization of Unrecognized Prior Service Cost	5	5	-	-
Amortization of Transition Obligation	-	-	68	68
Net Periodic Benefit Cost	$ 1,064	$ 1,060	$ 1,449	$ 1,136

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of Middlesex Water Company (Middlesex or the Company) included elsewhere herein and with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Forward-Looking Statements

Certain statements contained in this periodic 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. 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 rates, consumption volumes, service fees, revenues, margins, expenses and operating results;
- statements as to the Company's compliance with environmental laws and regulations and estimations of the materiality of any related costs;
- statements as to the safety and reliability of the Company's equipment, facilities and operations;
- statements as to financial projections;
- statements as to the ability of the Company to pay dividends;
- statements as to the Company's plans to renew municipal franchises and consents in the territories it serves;
- expectations as to the amount of cash contributions to fund the Company's retirement benefit plans, including statements as to anticipated discount rates and rates of return on plan assets;
- statements as to trends; and
- statements regarding the availability and quality of our water supply.

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

- the effects of general economic conditions;
- increases in competition in the markets served by the Company;
- the ability of the Company to control operating expenses and to achieve efficiencies in its operations;
- the availability of adequate supplies of water;
- actions taken by government regulators, including decisions on 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 (PS&I) charges into viable projects; and
- other factors discussed elsewhere in this quarterly report.

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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 report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

For an additional discussion of factors that may affect the Company's business and results of operations, see Item 1A. - Risk Factors in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Overview

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 a New Jersey municipal water and wastewater system under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services, as to the quality of water service we provide and as to certain other matters in New Jersey, Delaware and Pennsylvania. Only our Utility Services Affiliates, Inc. (USA), Utility Services Affiliates (Perth Amboy), Inc. (USA-PA) and White Marsh Environmental Systems, 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 several municipalities in central New Jersey. In partnership with our subsidiary, USA-PA, we operate the water supply system and wastewater system for the City of Perth Amboy, New Jersey. Our Bayview system provides water services in Downe Township, New Jersey. Our other New Jersey subsidiaries, Pinelands Water Company and Pinelands Wastewater Company (collectively, Pinelands), provide water and wastewater services to residents in Southampton Township, New Jersey.

USA provides residential customers in New Jersey and Delaware a water service line and sewer lateral maintenance programs called LineCareSM and LineCare+SM, respectively.

Our Delaware subsidiaries, Tidewater and Southern Shores Water Company, LLC (Southern Shores), provide water services to approximately 34,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Tidewater's subsidiary, White Marsh, services an additional 6,000 customers in Kent and Sussex Counties through various operations and maintenance contracts.

Our Tidewater Environmental Services, Inc. (TESI) subsidiary provides wastewater services to approximately 1,900 residential retail customers. 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 120 retail customers in the Township of Shohola, Pike County, Pennsylvania.

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

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

Recent Developments

In January 2011, Middlesex filed an application with the New Jersey Board of Public Utilities (NJBPU) seeking permission to establish a Purchased Water Adjustment Clause (PWAC) and implement a tariff rate sufficient to recover increased costs of $0.4 million to purchase untreated water from the New Jersey Water Supply Authority and treated water from a non-affiliated regulated water utility. The parties have reached a settlement agreement accepting the $0.4 million PWAC, which has been approved by a New Jersey Administrative Law Judge. A final decision is expected from the NJBPU in late August 2011. We cannot predict whether the NJBPU will ultimately approve, deny, or reduce the amount of the request.

A Distribution System Improvement Charge (DSIC) is a Delaware Public Service Commission (DEPSC) approved rate-mechanism that allows water utilities to recover investment in non-revenue producing capital improvements to the water system between base rate proceedings. Effective July 1, 2011, Tidewater's DEPSC approved DSIC was increased from 1.34% to 1.98%.

In March 2011, Tidewater closed on a $2.8 million loan with the Delaware State Revolving Fund (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 June 30, 2011, Tidewater has borrowed $1.0 million 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 June 30, 2011, Southern Shores has borrowed $1.4 million under this loan.

Effective June 1, 2011, the DEPSC approved a multi-year agreement for a phased-in base rate increase for Southern Shores. This increase was necessitated by 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 on June 30, 2020, Southern Shores will also increase rates on January 1, 2012, and each successive January 1st through 2015, to generate approximately $0.1 million of additional revenue on an annual basis with each increase. Thereafter, rate increases, if any, cannot exceed the lesser of the regional Consumer Price Index or 3%.

In June 2011, Twin Lakes filed an application with the Pennsylvania Public Utility Commission (PAPUC) seeking permission to increase its base rates by approximately $0.2 million per year. The request was made necessary by capital investments Twin Lakes has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the PAPUC will ultimately approve, deny, or reduce the amount of the request. A decision by the PAPUC is not expected until early 2012.

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In July 2011, TESI filed an application with the DEPSC seeking permission to increase its base rates by approximately $0.8 million per year. The request was made necessary by capital investments TESI has made, or has committed to make, as well as increased operations and maintenance costs. We cannot predict whether the DEPSC will ultimately approve, deny, or reduce the amount of the request. A decision by the DEPSC is not expected until early 2012. Concurrent with the rate filing, TESI also submitted a request for a 15.0% interim rate increase, subject to refund, as allowed under DEPSC regulations. Those interim rates are expected to become effective September 30, 2011.

In May 2011, TESI acquired its seventh wastewater system for approximately $0.1 million. This wastewater system serves a seventy-five customer development located in Lewes, Delaware. The wastewater plant is among several other nearby TESI-owned facilities providing regulated wastewater services to residential developments within the region. Tidewater provides water service to several communities in the area, including the development where the wastewater system is located.

Outlook

Rate relief and favorable weather patterns bolstered our consolidated revenues in 2010. Even though revenues for 2011 are expected to be favorably impacted by the full year effect of the March 2010 Middlesex rate increase, the Tidewater DSIC and the anticipated Middlesex PWAC, there can be no assurance that the higher level of customer water consumption experienced as a result of the extended hot, dry period throughout our service territories in 2010 will continue in 2011.

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. In the second half of 2010, we began to see an increase in usage by our commercial and industrial customers. However, 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 rate increase.

As discussed above, revenues and earnings are influenced by weather. Changes in water 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 execute plans to streamline operations and reduce operating costs on an on-going basis.

Middlesex and several of its subsidiaries have filed, or are expected to file, for base-rate increases in 2011. There can be no assurances however, that the regulators of Middlesex or its subsidiaries will approve any such requests in whole or in part. In addition, the timing of approval of these rate requests is presently not known.

As a result of ongoing challenging economic conditions impacting the pace of new residential home construction, there may be 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 final determination.

The return on assets held in our retirement benefit plans during 2010 resulted in an increase in the amount available to fund current and future obligations. This is expected to partially mitigate retirement plan benefit expenses and retirement plan cash contributions in 2011.

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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.

Operating Results by Segment

The discussion of the Company’s operating results is on a consolidated basis and includes significant factors by subsidiary. The Company has two operating segments, Regulated and Non-Regulated.

The segments in the tables included below consist 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 – Three Months Ended June 30, 2011

	(In Thousands) Three Months Ended June 30,					
	2011			2010		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$23,381	$2,721	$26,102	$23,809	$2,729	$26,538
Operations and maintenance expenses	11,867	2,195	14,062	11,452	2,124	13,576
Depreciation expense	2,380	37	2,417	2,199	37	2,236
Other taxes	2,817	68	2,885	2,768	64	2,832
Operating income	6,317	421	6,738	7,390	504	7,894
Other income, net	229	59	288	430	74	504
Interest expense	1,689	25	1,714	1,844	38	1,882
Income taxes	1,485	202	1,687	1,875	217	2,092
Net income	$3,372	$253	$3,625	$4,101	$323	$4,424

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Operating Revenues

Operating revenues for the three months ended June 30, 2011 decreased $0.4 million from the same period in 2010. This decrease was primarily related to the following factors:

- Middlesex System revenues decreased $0.3 million, primarily from decreased contract sales to municipalities resulting from the expiration of a temporary contract to supply water to a city. Sales to general meter service customers remained consistent due to an increase in demand for water by our commercial and industrial customer class resulting from a return to more normal usage patterns, offset by a decrease in demand for water from our residential customer class, resulting from cooler, wetter weather in the second quarter of 2011 as compared to 2010.
- Tidewater System revenues decreased $0.1 million, primarily due to a temporary contract to provide water to Dover Air Force Base in Delaware expiring in the third quarter of 2010.

Operation and Maintenance Expense

Operation and maintenance expenses for the three months ended June 30, 2011 increased $0.5 million from the same period in 2010. This increase was primarily related to the following factors:

- Labor costs increased $0.3 million, primarily due to higher average labor rates from annual wage increases and lower capitalized labor;
- Employee healthcare costs and postretirement benefit plan expenses increased $0.2 million;
- Increased net costs of $0.1 million from the implementation of a company wide information technology platform;
- Costs associated with main breaks decreased $0.2 million, as we experienced less severe, and a lower number of, main breaks in 2011 as compared to 2010; and
- All other operation and maintenance expense categories increased $0.1 million.

Depreciation

Depreciation expense for the three months ended June 30, 2011 increased $0.2 million from the same period in 2010 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the three months ended June 30, 2011 increased $0.1 million from the same period in 2010, primarily due to higher payroll taxes on increased employee wages.

Other Income, net

Other Income, net for the three months ended June 30, 2011 decreased $0.2 million from the same period in 2010, primarily due to decreased Allowance for Funds Used During Construction from lower capitalized interest resulting from lower average construction work in progress balances in the second quarter of 2011 as compared to the second quarter of 2010.

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Interest Charges

Interest charges for the three months ended June 30, 2011 decreased $0.2 million from the same period in 2010, primarily due to the following:

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

Income Taxes

Income taxes for the three months ended June 30, 2011 decreased $0.4 million from the same period in 2010, primarily due to decreased operating income in 2011 as compared to 2010.

Net Income and Earnings Per Share

Net income for the three months ended June 30, 2011 decreased $0.8 million, or 18.1%, from the same period in 2010. However, basic and diluted earnings per share decreased 25.8% to $0.23 for the three months ended June 30, 2011 as compared to $0.31 for the three months ended June 30, 2010. In addition to the effect of the decrease in net income on earnings per share, earnings per share also decreased from a higher average number of shares outstanding in 2011 due to the Company’s public offering of 1.9 million shares of common stock in June 2010.

Results of Operations – Six Months Ended June 30, 2011

	(In Thousands) Six Months Ended June 30,					
	2011			2010		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$44,589	$ 5,509	$50,098	$42,829	$ 5,355	$48,184
Operations and maintenance expenses	23,647	4,446	28,093	22,991	4,179	27,170
Depreciation expense	4,755	74	4,829	4,361	78	4,439
Other taxes	5,535	135	5,670	5,254	137	5,391
Operating income	10,652	854	11,506	10,223	961	11,184
Other income, net	475	115	590	800	149	949
Interest expense	2,877	51	2,928	3,227	79	3,306
Income taxes	2,505	408	2,913	2,429	414	2,843
Net income	$5,745	$ 510	$6,255	$5,367	$ 617	$5,984

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Operating Revenues

Operating revenues for the six months ended June 30, 2011 increased $1.9 million from the same period in 2010. This increase was primarily related to the following factors:

- Middlesex System revenues increased $1.7 million, primarily due to the 13.5% rate increase that went into effect in late March 2010;
- Tidewater System revenues decreased $0.1 million, primarily due to lower connection fees;
- USA-PA's revenues increased $0.3 million, primarily from scheduled increases in the fixed fees paid under contract with the City of Perth Amboy

Operation and Maintenance Expense

Operation and maintenance expenses for the six months ended June 30, 2011 increased $0.9 million from the same period in 2010. This increase was primarily related to the following factors:

- Labor costs increased $0.5 million primarily due to higher average labor rates from annual wage increases and lower capitalized labor;
- Employee healthcare costs and postretirement benefit plan expenses increased $0.5 million;
- Increased net costs of $0.2 million from the implementation of a company wide information technology platform;
- Costs associated with main breaks decreased $0.4 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 six months ended June 30, 2011 increased $0.4 million from the same period in 2010 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the six months ended June 30, 2011 increased $0.3 million from the same period in 2010, primarily due to increased taxes on higher taxable gross revenues ($0.2 million) and higher payroll taxes on increased employee wages ($0.1 million).

Interest Charges

Interest charges for the six months ended June 30, 2011 decreased $0.4 million from the same period in 2010, primarily due to the following:

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

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Other Income, net

Other Income, net for the six months ended June 30, 2011 decreased $0.4 million from the same period in 2010, primarily due to decreased Allowance for Funds Used During Construction from lower capitalized interest resulting from lower average construction work in progress balances in 2011 as compared to 2010.

Income Taxes

Income taxes for the six months ended June 30, 2011 increased $0.1 million from the same period in 2010, due to increased operating income in 2011 as compared to 2010.

Net Income and Earnings Per Share

Net income for the six months ended June 30, 2011 increased $0.3 million, or 4.5%, from the same period in 2010. However, basic and diluted earnings per share decreased to $0.40, or 7.0% (basic) and 4.8% (diluted), for the six months ended June 30, 2011 as compared to $0.43 and $0.42, respectively, for the six months ended June 30, 2010. The effect of the increase in net income on earnings per share was more than offset by the 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, resulting in a decrease in earnings per share for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010.

Liquidity and Capital Resources

Operating Cash Flows
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 "Results of Operations."

For the six months ended June 30, 2011, cash flows from operating activities increased $0.3 million to $12.1 million. Increased earnings and decreased accounts receivable were the primary reasons for the increase in cash flow. The $12.1 million of net cash flow from operations enabled us to fund 100% of our utility plant expenditures internally for the period.

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 Amended and Restated Dividend Reinvestment and Common Stock Purchase Plan (DRP) and common stock offerings. See below for a more detailed discussion regarding the funding of our capital program.

The capital investment program for 2011 is currently estimated to be $22.9 million. Through June 30, 2011, we have expended $11.0 million and expect to incur approximately $11.9 million for capital projects for the remainder of 2011.

We currently project that we may be required to expend approximately $43 million for capital projects in 2012 and 2013. The exact amount is dependent on customer growth, residential housing sales, project scheduling and refinement of engineering estimates for certain capital projects.

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To fund our capital program for the remainder of 2011, 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 SRF loans (currently, \$4.3 million) and Delaware SRF loans (currently, \$3.2 million). The SRF programs provide low cost financing for projects that meet certain water quality and system improvement benchmarks.
- Short-term borrowings, if necessary, through \$58.0 million of available lines of credit with several financial institutions. As of June 30, 2011, the outstanding borrowings under these credit lines were \$20.3 million.

Recent Accounting Pronouncements – See Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have final maturity dates ranging from 2018 to 2038. Over the next twelve months, approximately \$4.4 million of the current portion of 30 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.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities and Exchange Act of 1934 (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. Based upon that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this Report. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

The information about risk factors does not differ materially from those set forth in Part I, Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

Item 5. Other Information

None.

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Item 6. Exhibits

31.1 Section 302 Certification by Dennis W. Doll pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

31.2 Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

32.1 Section 906 Certification by Dennis W. Doll pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.2 Section 906 Certification by A. Bruce O'Connor pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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*

*XBRL information is furnished, not filed.

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SIGNATURES

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

MIDDLESEX WATER COMPANY

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

Date: August 4, 2011

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