MIDDLESEX WATER CO
Form 10-Q
November 02, 2007

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 September 30, 2007

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨

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 October 31, 2007:
Common Stock, No Par Value: 13,233,169 shares outstanding.

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

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Operating Revenues	$ 24,135	$ 22,632	$ 64,868	$ 61,899
Operating Expenses:				
Operations	10,915	10,446	31,250	30,104
Maintenance	1,046	907	3,060	2,440
Depreciation	1,887	1,883	5,607	5,264
Other Taxes	2,558	2,537	7,221	7,110
Total Operating Expenses	16,406	15,773	47,138	44,918
Operating Income	7,729	6,859	17,730	16,981
Other Income:				
Allowance for Funds Used During Construction	168	170	421	398
Other Income	100	41	608	140
Other Expense	(9)	(6)	(21)	(20)
Total Other Income, net	259	205	1,008	518
Interest Charges	1,734	1,890	4,816	5,213
Income before Income Taxes	6,254	5,174	13,922	12,286
Income Taxes	2,096	1,797	4,680	4,129
Net Income	4,158	3,377	9,242	8,157
Preferred Stock Dividend Requirements	62	62	186	186
Earnings Applicable to Common Stock	$ 4,096	$ 3,315	$ 9,056	$ 7,971
Earnings per share of Common Stock:				
Basic	$ 0.31	$ 0.29	$ 0.69	$ 0.69
Diluted	$ 0.31	$ 0.28	$ 0.68	$ 0.68
Average Number of Common Shares Outstanding :				
Basic	13,206	11,630	13,191	11,611
Diluted	13,537	11,961	13,522	11,943

Cash Dividends Paid per Common Share	**$**	**0.1725**	**$**	**0.1700**	**$**	**0.5175**	**$**	**0.5100**

See Notes to Condensed Consolidated Financial Statements.

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

		September 30, 2007	December 31, 2006
ASSETS			
UTILITY PLANT:	Water Production	$ **98,399**	$ 95,324
	Transmission and Distribution	**258,478**	243,959
	General	**24,867**	25,153
	Construction Work in Progress	**6,826**	6,131
	TOTAL	**388,570**	370,567
	Less Accumulated Depreciation	**63,535**	59,694
	UTILITY PLANT - NET	**325,035**	310,873
CURRENT ASSETS:	Cash and Cash Equivalents	**2,666**	5,826
	Accounts Receivable, net	**11,854**	8,538
	Unbilled Revenues	**5,632**	4,013
	Materials and Supplies (at average cost)	**1,338**	1,306
	Prepayments	**1,645**	1,229
	TOTAL CURRENT ASSETS	**23,135**	20,912
DEFERRED CHARGES	Unamortized Debt Expense	**2,909**	3,014
AND OTHER ASSETS:	Preliminary Survey and Investigation Charges	**5,274**	3,436
	Regulatory Assets	**20,210**	18,342
	Restricted Cash	**4,441**	6,850
	Non-utility Assets - Net	**6,776**	6,255
	Other	**536**	585
	TOTAL DEFERRED CHARGES AND OTHER ASSETS	**40,146**	38,482
	TOTAL ASSETS	$ **388,316**	$ 370,267
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	$ **105,308**	$ 104,248
	Retained Earnings	**27,218**	25,001
	Accumulated Other Comprehensive Income, net of tax	**73**	94
	TOTAL COMMON EQUITY	**132,599**	129,343
	Preferred Stock	**3,958**	3,958
	Long-term Debt	**128,446**	130,706
	TOTAL CAPITALIZATION	**265,003**	264,007
CURRENT	Current Portion of Long-term Debt	**2,678**	2,501
LIABILITIES:	Notes Payable	**6,550**	-
	Accounts Payable	**6,674**	5,491
	Accrued Taxes	**8,041**	6,684
	Accrued Interest	**904**	1,880
	Unearned Revenues and Advanced Service Fees	**758**	601
	Other	**1,332**	984

	TOTAL CURRENT LIABILITIES	**26,937**	18,141
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)			
DEFERRED CREDITS AND OTHER LIABILITIES:	Customer Advances for Construction	**21,343**	19,246
	Accumulated Deferred Investment Tax Credits	**1,754**	1,813
	Accumulated Deferred Income Taxes	**18,376**	15,779
	Employee Benefit Plans	**16,658**	16,388
	Regulatory Liability - Cost of Utility Plant Removal	**6,682**	6,200
	Other	**443**	527
	TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	**65,256**	59,953
CONTRIBUTIONS IN AID OF CONSTRUCTION		**31,120**	28,166
	TOTAL CAPITALIZATION AND LIABILITIES	**$ 388,316**	$ 370,267

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	**$ 9,242**	$ 8,157
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	**6,149**	5,817
Provision for Deferred Income Taxes and ITC	**628**	241
Equity Portion of AFUDC	**(201)**	(167)
Cash Surrender Value of Life Insurance	**(275)**	(155)
Gain on Sale of Real Estate	**(212)**	-
Changes in Assets and Liabilities:		
Accounts Receivable	**(2,939)**	(1,496)
Unbilled Revenues	**(1,619)**	(1,373)
Materials & Supplies	**(32)**	(370)
Prepayments	**(416)**	(777)
Other Assets	**(447)**	(383)
Accounts Payable	**1,183**	1,006
Accrued Taxes	**1,368**	1,535
Accrued Interest	**(976)**	(960)
Employee Benefit Plans	**270**	301
Unearned Revenue & Advanced Service Fees	**157**	94
Other Liabilities	**266**	80
NET CASH PROVIDED BY OPERATING ACTIVITIES	**12,146**	11,550
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility Plant Expenditures, Including AFUDC of $220 in 2007 and $231 in 2006	**(15,579)**	(20,932)
Restricted Cash	**2,420**	745
Proceeds from Real Estate Dispositions	**273**	-
Preliminary Survey & Investigation Charges	**(1,838)**	(1,338)
NET CASH USED IN INVESTING ACTIVITIES	**(14,724)**	(21,525)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Long-term Debt	**(2,214)**	(1,647)
Proceeds from Issuance of Long-term Debt	**132**	321
Net Short-term Bank Borrowings	**6,550**	14,200
Deferred Debt Issuance Expenses	**(30)**	(1)
Common Stock Issuance Expense	**(15)**	(10)
Restricted Cash	**(11)**	(16)
Proceeds from Issuance of Common Stock	**1,060**	1,182
Payment of Common Dividends	**(6,825)**	(5,920)
Payment of Preferred Dividends	**(186)**	(186)
Construction Advances and Contributions-Net	**957**	478

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(582)**		8,401
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(3,160)**		(1,574)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**5,826**		2,984
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$**	**2,666**	$	1,410
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:				
Utility Plant received as Construction Advances and Contributions	**$**	**3,717**	$	2,995
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:				
Cash Paid During the Year for:				
Interest	**$**	**5,795**	$	6,153
Interest Capitalized	**$**	**(220)**	$	(231)
Income Taxes	**$**	**2,882**	$	3,111

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)

	September 30, 2007	December 31, 2006
Common Stock, No Par Value		
Shares Authorized - 40,000		
Shares Outstanding - 2007 - 13,214	**$ 105,308**	$ 104,248
2006 - 13,168		
Retained Earnings	**27,218**	25,001
Accumulated Other Comprehensive Income, net of tax	**73**	94
TOTAL COMMON EQUITY	**$ 132,599**	$ 129,343
Cumulative Preference Stock, No Par Value:		
Shares Authorized - 100		
Shares Outstanding - None		
Cumulative Preferred Stock, No Par Value:		
Shares Authorized - 139		
Shares Outstanding - 37		
Convertible:		
Shares Outstanding, $7.00 Series - 14	**1,457**	1,457
Shares Outstanding, $8.00 Series - 12	**1,399**	1,399
Nonredeemable:		
Shares Outstanding, $7.00 Series - 1	**102**	102
Shares Outstanding, $4.75 Series - 10	**1,000**	1,000
TOTAL PREFERRED STOCK	**$ 3,958**	$ 3,958
Long-term Debt:		
8.05%, Amortizing Secured Note, due December 20, 2021	**$ 2,825**	$ 2,896
6.25%, Amortizing Secured Note, due May 22, 2028	**8,680**	8,995
6.44%, Amortizing Secured Note, due August 25, 2030	**6,417**	6,627
6.46%, Amortizing Secured Note, due September 19, 2031	**6,696**	6,907
4.22%, State Revolving Trust Note, due December 31, 2022	**707**	739
3.30% to 3.60%, State Revolving Trust Note, due May 1, 2025	**3,168**	3,100
3.49%, State Revolving Trust Note, due January 25, 2027	**603**	598
4.03%, State Revolving Trust Note, due December 1, 2026	**974**	914
4.00% to 5.00%, State Revolving Trust Bond, due September 1, 2021	**695**	730
0.00%, State Revolving Fund Bond, due September 1, 2021	**537**	577
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
6.40%, Series U, due February 1, 2009	**15,000**	15,000
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		**592**		647
4.25% to 4.63%, Series Y, due September 1, 2018		**765**		820
0.00%, Series Z, due September 1, 2019		**1,342**		1,455
5.25% to 5.75%, Series AA, due September 1, 2019		**1,785**		1,890
0.00%, Series BB, due September 1, 2021		**1,686**		1,805
4.00% to 5.00%, Series CC, due September 1, 2021		**1,995**		2,090
5.10%, Series DD, due January 1, 2032		**6,000**		6,000
0.00%, Series EE, due September 1, 2024		**7,112**		7,482
3.00% to 5.50%, Series FF, due September 1, 2024		**8,385**		8,735
0.00%, Series GG, due September 1, 2026		**1,710**		1,750
4.00% to 5.00%, Series HH, due September 1, 2026		**1,950**		1,950
SUBTOTAL LONG-TERM DEBT		**131,124**		133,207
Less: Current Portion of Long-term Debt		**(2,678)**		(2,501)
TOTAL LONG-TERM DEBT	**$**	**128,446**	$	130,706

See Notes to Condensed Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Organization – 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), and Utility Service Affiliates (Perth Amboy) Inc. (USA-PA). 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 2006 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 September 30, 2007, the results of operations for the three and nine month periods ended September 30, 2007 and 2006, and cash flows for the nine month periods ended September 30, 2007 and 2006. Information included in the Condensed Consolidated Balance Sheet as of December 31, 2006, has been derived from the Company's audited financial statements for the year ended December 31, 2006.

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

Recent Accounting Pronouncements– In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48) "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109", to clarify certain aspects of accounting for uncertain tax positions, including recognition and measurement of those tax positions. This interpretation was effective for fiscal years beginning after December 15, 2006 (January 1, 2007 for the Company). The adoption of this interpretation had no impact on the Company's financial position, results of operations, or cash flows.

In September 2006, the FASB's Emerging Issues Task Force reached a consensus on EITF Issue No. 06-5, "Accounting for Purchases of Life Insurance – Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance" ("EITF 06-5"). EITF 06-5 provides clarification for determining the amounts that could be realized by policyholders in accounting for life insurance contracts. EITF 06-5 is effective for fiscal years beginning after December 15, 2006 (January 1, 2007 for the Company). Adoption of EITF 06-5 had no material impact on the Company's consolidated financial statements.

Note 2 – Rate Matters

Effective October 26, 2007, Middlesex received approval from the New Jersey Board of Public Utilities (BPU) for a 9.1%, or $5.0 million increase in its base water rates on an interim basis subject to refund. The rate increase, resulting from a settlement among the parties to the proceeding, has been categorized as interim until one of the intervening municipal utilities authorities in the matter formally acts on this settlement agreement at their next scheduled public meeting to be held on November 7, 2007. BPU approval to make the increase permanent is expected on November 8, 2007. The increase was predicated on a rate base of $164.4 million and an authorized return of equity of 10.0%. Middlesex had originally filed for an $8.9 million or 16.5% base rate increase with the BPU on April 18, 2007. The rate increase is intended to recover increased costs of operations, maintenance, labor and benefits, purchased power, purchased water and taxes, as well as capital investment of approximately $23.0 million since June 2005.

In accordance with the tariff established for Southern Shores, an annual rate increase of 3% was implemented on January 1, 2007. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%. The contracted rate schedule is set to expire on December 31, 2007. The Company is in the process of renegotiating the rate schedule.

Note 3 – Capitalization

Common Stock–During the nine months ended September 30, 2007, there were 46,810 common shares (approximately $0.9 million) issued under the Company's Dividend Reinvestment and Common Stock Purchase Plan (DRP). Middlesex received approval from the BPU in June 2007 to increase the number of shares authorized under the DRP from 1.7 million to 2.3 million shares.

In May 2007, the Company received shareholders approval to increase the number of authorized shares of common stock from 20 million shares to 40 million shares.

Long-term Debt– Middlesex received approval from the BPU to issue up to $4.0 million of first mortgage bonds through the New Jersey Environmental Infrastructure Trust under the New Jersey State Revolving Fund (SRF) program. The Company expects to complete the transaction in November 2007. Proceeds from this financing will be used for the ongoing main cleaning and lining project in 2008.

On October 10, 2007, Tidewater filed an application with the Delaware Public Service Commission (PSC) seeking approval to finance up to $1.1 million in the form of long-term debt securities under the Delaware SRF program. The Delaware SRF program allows, but does not obligate, Tidewater to draw down against a General Obligation Note for specific projects over a period not to exceed two years from the date the Note is executed. The interest rate is set on the loan closing date and is based on 62.5% of the interest rate for a 10+ year high quality corporate bond. If approved by the PSC, the Company expects to complete the transaction in November 2007.

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 September 30,			
Basic:	2007	Shares	2006	Shares
Net Income	$ 4,158	13,206	$ 3,377	11,630

Preferred Dividend		(62)			(62)	
Earnings Applicable to Common Stock	$	4,096	13,206	$	3,315	11,630
Basic EPS	$	0.31		$	0.29	

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Diluted:				
Earnings Applicable to Common Stock	$ 4,096	13,206	$ 3,315	11,630
$7.00 Series Preferred Dividend	24	167	24	167
$8.00 Series Preferred Dividend	24	164	24	164
Adjusted Earnings Applicable to Common Stock	$ 4,144	13,537	$ 3,363	11,961
Diluted EPS	$ 0.31		$ 0.28	

	Nine Months Ended September 30,			
Basic:	2007	Shares	2006	Shares
Net Income	$ 9,242	13,191	$ 8,157	11,611
Preferred Dividend	(186)		(186)	
Earnings Applicable to Common Stock	$ 9,056	13,191	$ 7,971	11,611
Basic EPS	$ 0.69		$ 0.69	
Diluted:				
Earnings Applicable to Common Stock	$ 9,056	13,191	$ 7,971	11,611
$7.00 Series Preferred Dividend	73	167	73	167
$8.00 Series Preferred Dividend	72	164	72	164
Adjusted Earnings Applicable to Common Stock	$ 9,201	13,522	$ 8,116	11,942
Diluted EPS	$ 0.68		$ 0.68	

Note 5 – Business Segment Data

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. 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 and Delaware 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 September 30,		Nine Months Ended September 30,	
Operations by Segments:	2007	2006	2007	2006
Revenues:				
Regulated	$ 21,906	$ 20,388	$ 58,239	$ 55,051
Non – Regulated	2,399	2,330	6,956	6,994
Inter-segment Elimination	(170)	(86)	(327)	(146)
Consolidated Revenues	$ 24,135	$ 22,632	$ 64,868	$ 61,899
Operating Income:				
Regulated	$ 7,384	$ 6,596	$ 16,806	$ 16,046

Non – Regulated		345		263		924		935
Consolidated Operating Income	$	7,729	$	6,859	$	17,730	$	16,981

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Net Income:				
Regulated	$ 3,959	$ 3,254	$ 8,739	$ 7,662
Non – Regulated	199	123	503	495
Consolidated Net Income	$ 4,158	$ 3,377	$ 9,242	$ 8,157
Capital Expenditures:				
Regulated	$ 6,724	$ 8,906	$ 15,273	$ 20,707
Non – Regulated	81	7	306	225
Total Capital Expenditures	$ 6,805	$ 8,913	$ 15,579	$ 20,932

	As of September 30, 2007	As of December 31, 2006
Assets:		
Regulated	$ 383,837	$ 366,149
Non – Regulated	7,673	6,808
Inter-segment Elimination	(3,194)	(2,690)
Consolidated Assets	$ 388,316	$ 370,267

Note 6 – Short-term Borrowings

As of September 30, 2007, the Company has established lines of credit aggregating $40.0 million. At September 30, 2007, the outstanding borrowings under these credit lines were $6.6 million at a weighted average interest rate of 6.35%.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were $3.7 million and $15.4 million at 6.70% and 6.22% for the three months ended September 30, 2007 and 2006, respectively. The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were $1.3 million and $10.1 million at 6.69% and 6.05% for the nine months ended September 30, 2007 and 2006, respectively.

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

Guarantees - USA-PA operates the City of Perth Amboy, New Jersey (Perth Amboy) water and wastewater systems under contract through June 30, 2018. The agreement was effected under New Jersey's Water Supply Public/Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives a fixed fee and in addition, a variable fee based on increased system billing. Scheduled fixed fee payments for 2007 are $7.8 million. The fixed fees will increase over the term of the contract to $10.2 million per year.

In connection with the agreement, Perth Amboy, through the Middlesex County Improvement Authority, issued approximately $68.0 million in three series of bonds. Middlesex guaranteed one of those series of bonds, designated the Series C Serial Bonds, in the principal amount of approximately $26.3 million. Perth Amboy guaranteed the two other series of bonds. The Series C Serial Bonds have various maturity dates with the final maturity date on September 1, 2015. As of September 30, 2007, approximately $22.6 million of the Series C Serial Bonds remained outstanding.

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

Water Supply - Middlesex has an agreement with the New Jersey Water Supply Authority (NJWSA) for the purchase of untreated water through November 30, 2023, which provides for an average purchase of 27 million gallons per 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, 2011, provides for the minimum purchase of 3 mgd of treated water with provisions for additional purchases.

Purchased water costs are shown below:

	(In Thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Purchased Water				
Treated	$ 569	$ 475	$ 1,568	$ 1,409
Untreated	602	647	1,730	1,706
Total Costs	$ 1,171	$ 1,122	$ 3,298	$ 3,115

Construction – The Company expects to spend approximately $20.3 million on its construction program in 2007.

Litigation – In July 2005, Tidewater received a notice of violation and request for corrective action issued by the Delaware State Fire Marshal regarding the alleged failure of one of the community water systems operated by Tidewater to meet Delaware fire protection requirements. Tidewater appealed the Fire Marshal’s decision with the Delaware State Fire Prevention Commission (the “SFPC”) and, in November 2005, the SFPC denied Tidewater’s appeal. In October 2007, Tidewater agreed to dismiss its appeal of the SFPC’s decision with the Sussex County Superior Court in Delaware of the notice of violation and request for corrective action issued by the Fire Marshal. In return for the dismissal both parties have agreed that 15 of the original 67 community water systems previously identified will require certain modifications over a ten-year period in order to provide full fire protection. The expected capital investment to comply with the settlement is $12.0 to $14.0 million and will be expended ratably over the ten-year period. We will apply to the PSC to increase base rates to recover the costs of any such modifications. Although these types of modifications have routinely been included in previous rate matters, the PSC may not approve a portion or all of the costs associated with the fire protection upgrades.

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 Retirement Benefit Plans

Pension – The Company has a noncontributory defined benefit pension plan, which covers all employees with more than 1,000 hours of service hired before April 1, 2007. The Company contributed $1.5 million of cash to the plan on August 3, 2007. 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.

Postretirement Benefits Other Than Pensions– The Company maintains a postretirement benefit plan other than pensions for substantially all of its retired employees. Coverage includes healthcare and life insurance. Retiree contributions are dependent on credited years of service. The Company expects to make cash contributions to the plan of approximately $1.6 million during the fourth quarter of 2007.

The following table sets forth information relating to the Company's periodic costs for its retirement plans.

	(In Thousands)			
	Pension Benefits		Other Benefits	
	Three Months Ended September 30,			
	2007	2006	2007	2006
Service Cost	$ 324	$ 328	$ 205	$ 189
Interest Cost	452	426	224	201
Expected Return on Assets	(455)	(402)	(120)	(83)
Amortization of Unrecognized Losses	19	64	84	111
Amortization of Unrecognized Prior Service Cost	2	3	-	-
Amortization of Transition Obligation	-	-	34	34
Net Periodic Benefit Cost	$ 342	$ 419	$ 427	$ 452

	Pension Benefits		Other Benefits	
	Nine Months Ended September 30,			
	2007	2006	2007	2006
Service Cost	$ 972	$ 972	$ 616	$ 555
Interest Cost	1,356	1,281	671	620
Expected Return on Assets	(1,364)	(1,219)	(361)	(256)
Amortization of Unrecognized Losses	56	184	253	351
Amortization of Unrecognized Prior Service Cost	7	6	-	-
Amortization of Transition Obligation	-	-	101	101
Net Periodic Benefit Cost	$ 1,027	$ 1,224	$ 1,280	$ 1,371

Note 9 – Stock Based Compensation

The Company maintains a Restricted Stock Plan, under which 61,012 shares of the Company's common stock are held in escrow by the Company as of September 30, 2007 for key employees. Such stock is subject to forfeiture by the employee in the event of termination of employment within five years of the award other than as a result of retirement, death, disability or change in control. The maximum number of shares authorized for grant under this plan is 240,000 shares. For the nine months ended September 30, 2007, 1,900 shares vested and 925 shares were forfeited under the Plan.

The Company recognizes compensation expense at fair value for its restricted stock awards in accordance with SFAS 123(R), "Shared Based Payment". 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. Compensation expense for the three months ended September 30, 2007 and 2006 was $0.1 million. Compensation expense for the nine months ended September 30, 2007 and 2006 was $0.2 million. Total unearned compensation related to restricted stock was $0.6 million at September 30, 2007.

Note 10 – Other Comprehensive Income

Comprehensive income was as follows:

	(In Thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net Income	$ 4,158	$ 3,377	$ 9,242	$ 8,157
Other Comprehensive Income:				
Change in Value of Equity Investments, Net of Income Tax	(6)	39	(21)	39
Other Comprehensive Income	(6)	39	(21)	39
Comprehensive Income	$ 4,152	$ 3,416	$ 9,221	$ 8,196

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 the Company included elsewhere herein and with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

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;
- statements regarding expectations and events concerning capital expenditures;
- statements as to the Company's expected liquidity needs during fiscal 2007 and beyond and statements as to the sources and availability of funds to meet its liquidity needs;
- statements as to expected rates, consumption volumes, service fees, revenues, margins, expenses and operating results;
- statements as to the Company's compliance with environmental laws and regulations and estimations of the materiality of any related costs;
- statements as to the safety and reliability of the Company's equipment, facilities and operations;
- statements as to financial projections;
- statements as to the ability of the Company to pay dividends;
- statements as to the Company's plans to renew municipal franchises and consents in the territories it serves;
- expectations as to the amount of cash contributions to fund the Company's retirement benefit plans, including statements as to anticipated discount rates and rates of return on plan assets;
- statements as to trends; and
- statements regarding the availability and quality of our water supply.

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

- the effects of general economic conditions;
- increases in competition in the markets served by the Company;
- the ability of the Company to control operating expenses and to achieve efficiencies in its operations;
- the availability of adequate supplies of water;
- actions taken by government regulators, including decisions on base rate increase requests;
- new or additional water quality standards;
- weather variations and other natural phenomena;
- the existence of attractive acquisition candidates and the risks involved in pursuing those acquisitions;
- acts of war or terrorism;
- significant changes in the housing starts in Delaware;
- the availability and cost of capital resources; and
- other factors discussed elsewhere in this quarterly 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 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, 2006.

Overview

The Company has operated as a water utility in New Jersey since 1897, and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for residential, irrigation, 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. Our utility companies are regulated as to rates charged to customers for water and wastewater services in New Jersey and Delaware, as to the quality of service provided and as to certain other matters. Our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

Our New Jersey water utility system (the Middlesex System) provides water services to approximately 59,300 retail, commercial and fire service 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 303,000. Through our subsidiary, USA-PA, we operate the water supply system and wastewater collection system for the City of Perth Amboy, New Jersey. Pinelands Water and Pinelands Wastewater provide water and wastewater services to residents in Southampton Township, New Jersey.

Tidewater and Southern Shores provide water services to approximately 31,000 retail customers in New Castle, Kent, and Sussex Counties, Delaware. Our TESI subsidiary provides regulated wastewater service to approximately 1,400 residential retail customers. White Marsh serves approximately 5,100 customers under unregulated operating contracts with various owners of small water and wastewater systems in Kent and Sussex Counties.

USA provides customers both inside and outside of our service territories a service line maintenance program called LineCare^{SM}. In the first quarter of 2007 we introduced a similar program for wastewater customers called LineCare+^{SM}.

The majority of our revenue is generated from regulated water services to customers in our 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 since the end of 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

Rate Increases

Effective October 26, 2007, Middlesex received approval from the New Jersey Board of Public Utilities (BPU) for a 9.1%, or $5.0 million increase in its base water rates on an interim basis subject to refund. The rate increase, resulting from a settlement among the parties to the proceeding, has been categorized as interim until one of the intervening municipal utilities authorities in the matter formally acts on this settlement agreement at their next scheduled public meeting to be held on November 7, 2007. BPU approval to make the increase permanent is expected on November 8, 2007. The increase was predicated on a rate base of $164.4 million and an authorized return of equity of 10.0%. Middlesex had originally filed for an $8.9 million or 16.5% base rate increase with the BPU on April 18, 2007. The rate increase is intended to recover increased costs of operations, maintenance, labor and benefits, purchased power, purchased water and taxes, as well as capital investment of approximately $23.0 million since June 2005.

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In accordance with the tariff established for Southern Shores, an annual rate increase of 3% was implemented on January 1, 2007. The increase cannot exceed the lesser of the regional Consumer Price Index or 3%. The contracted rate schedule is set to expire on December 31, 2007. The Company is in the process of renegotiating the rate schedule.

Operating Results by Segment

The Company has two operating segments, Regulated and Non-Regulated. Our Regulated segment contributed 90% of total revenues and 95% of net income for the nine months ended September 30, 2007 and 89% of total revenues and 94% of net income for the nine months ended September 30, 2006. 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 consist of the following companies: Regulated-Middlesex, Tidewater, Pinelands, Southern Shores, and TESI; Non-Regulated- USA, USA-PA, and White Marsh.

Results of Operations – Three Months Ended September 30, 2007

	(In Thousands) Three Months Ended September 30,					
	2007			2006		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$ 21,906	$ 2,229	$ 24,135	$ 20,388	$ 2,244	$ 22,632
Operations and maintenance expenses	10,173	1,788	11,961	9,467	1,886	11,353
Depreciation expense	1,854	33	1,887	1,850	33	1,883
Other taxes	2,495	63	2,558	2,475	62	2,537
Operating income	7,384	345	7,729	6,596	263	6,859
Other income	259	-	259	205	-	205
Interest expense	1,707	27	1,734	1,867	23	1,890
Income taxes	1,977	119	2,096	1,680	117	1,797
Net income	$ 3,959	$ 199	$ 4,158	$ 3,254	$ 123	$ 3,377

Operating revenues for the three months ended September 30, 2007 increased $1.5 million, or 6.6%, from the same period in 2006 due to extended dry weather, customer growth and rate relief in our Delaware service territories. With the conclusion of a Tidewater base rate increase filing in Delaware, we implemented an additional 12% increase on February 28, 2007. This provided an additional $0.7 million of revenues. Customer growth and higher consumption contributed $0.6 million of revenues. Revenues from our regulated wastewater operations in Delaware increased by $0.1 million due to customer growth. All other operations accounted for $0.1 million of additional revenues.

While we anticipate continued organic customer and consumption growth, particularly in our Delaware systems, such growth and increased consumption cannot be guaranteed. Revenues from our water systems are highly dependent on the effects of weather, which may adversely impact future consumption despite customer growth. Customer growth in both the regulated water and wastewater businesses are dependent upon economic conditions surrounding new housing as well as developer construction timetables. Since early 2007, we have experienced a slow down in the rate of customer growth in Delaware. Appreciable organic customer and consumption growth is less likely in our New Jersey systems due to the extent to which our service territory is developed.

Operation and maintenance expenses increased $0.6 million or 5.4%. Water production costs were $0.3 million higher due to increased sales in Delaware and higher unit costs for water and electric power costs in New Jersey. Repair costs for water main breaks in our New Jersey system were $0.1 million higher than the same period in 2006 due to the number and size of the breaks. All other expense categories increased by $0.2 million.

Interest expense decreased by $0.1 million commensurate with lower short-term borrowings compared to the prior year period.

Income taxes increased $0.3 million as a result of increased operating income as compared to the prior year.

Net income increased by 23.5% from $3.4 million to $4.2 million. However, due to a higher number of shares outstanding, basic earnings per share grew by 6.8% to $0.31 for the three months ended September 30, 2007 compared to $0.29 for the same period in 2006. Diluted earnings per share were $0.31 and $0.28 for three months ended September 30, 2007 and 2006. Middlesex sold and issued 1.5 million shares of common stock in November 2006.

Results of Operations – Nine Months Ended September 30, 2007

	(In Thousands) Nine Months Ended September 30,					
	2007			2006		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$ 58,239	$ 6,629	$ 64,868	$ 55,051	$ 6,848	$ 61,899
Operations and maintenance expenses	28,884	5,426	34,310	26,899	5,645	32,544
Depreciation expense	5,510	97	5,607	5,174	90	5,264
Other taxes	7,039	182	7,221	6,932	178	7,110
Operating income	16,806	924	17,730	16,046	935	16,981
Other income	1,008	-	1,008	518	-	518
Interest expense	4,738	78	4,816	5,140	73	5,213
Income taxes	4,337	343	4,680	3,762	367	4,129
Net income	$ 8,739	$ 503	$ 9,242	$ 7,662	$ 495	$ 8,157

Operating revenues for the nine months ended September 30, 2007 increased $3.0 million, or 4.8%, from the same period in 2006. Revenue improved by $3.1 million in our Delaware water systems, of which $2.4 million was a result of a base rate increase that was granted to Tidewater. The rate increase was implemented in two parts; a 15% interim rate increase in June 2006 and an additional 12% final increase on February 28, 2007. Customer growth and higher consumption contributed $1.2 million of increased revenues. Fees charged to new customers for initial connection to our Delaware water systems were lower by $0.5 million as new residential and commercial development has slowed in our Delaware service territories. Consumption revenues in our Middlesex system were lower by $0.2 million. USA-PA's fees for managing the Perth Amboy water and wastewater systems were $0.2 million lower than the same period in 2006 due mostly to lower pass-through charges. There was an equal and offsetting amount of lower expenses connected with this management contract. Revenues from our regulated and non-regulated wastewater operations in Delaware increased by $0.2 million. All other operations accounted for $0.1 million of additional revenues.

Operation and maintenance expenses increased $1.8 million, or 5.4%. Labor and benefit costs were $0.8 million higher due to wage increases and increased headcount to meet the needs of the growing Delaware customer base. Pumping and water treatment costs increased a combined $0.6 million due to higher costs for electricity, chemicals and disposal of residuals. Repair costs for water main breaks in our New Jersey system were $0.1 million higher than the same period in 2006 due to the number and size of the breaks. All other operating costs increased by $0.3 million.

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Depreciation expense increased $0.3 million, or 6.5%, due to a higher level of utility plant in service. The $0.5 million increase in other income resulted from the sale of non-utility property and higher earnings on our short-term investments. Interest expense decreased by $0.4 million commensurate with lower short-term borrowings compared to the prior year period.

Income taxes increased by $0.6 million as a result of increased operating income as compared to the prior year.

Net income increased by $1.1 million, or 13.4%. However, due to a higher number of shares outstanding, basic earnings per share were $0.69 for the nine months ended September 30, 2007 in line with the same period in 2006. Diluted earnings per share were $0.68 for nine months ended September 30, 2007 and 2006. Middlesex sold and issued 1.5 million shares of common stock in November 2006.

Liquidity and Capital Resources

Cash flows from operations are largely dependent on three factors: the impact of weather on water sales, adequate and timely rate increases, and customer growth. The effect of those factors on net income is discussed in results of operations. For the nine months ended September 30, 2007, cash flows from operating activities were $12.1 million, an increase of $0.5 million from the prior year. This increase was attributable to increased earnings, and the timing of payments to vendors. These higher cash flows were partially offset by an increase in the level of customer receivables. The $12.1 million of net cash flow from operations enabled us to fund 78% of our utility plant expenditures internally for the period, with the remainder funded with proceeds from requisitions under the New Jersey State Revolving Fund (SRF) program loans.

The capital spending program for 2007 is currently estimated to be $20.3 million, which is lower by $34.3 million than the amount previously reported in our 2006 Annual Report on Form 10-K. This decrease is due primarily to the slowing of new residential and commercial development in our Delaware service territories. Through September 30, 2007, we have expended $15.6 million. For the remainder of 2007 we expect to incur $4.7 million of costs for the following projects: $2.7 million for additions and improvements to our Delaware water systems; $0.5 million for infrastructure additions for our Delaware wastewater systems; and $1.0 million for the RENEW program, to complete the cleaning and cement lining of approximately nine miles of unlined water mains in the Middlesex system. There remains a total of approximately 120 miles of unlined mains in the 730-mile Middlesex system. Total RENEW spending for 2007 is expected to be $3.9 million. The capital program also includes $0.5 million for scheduled upgrades to our existing systems in New Jersey.

To fund our capital program in 2007, we have utilized remaining proceeds from the November 2006 common stock offering, internally generated funds and funds available under existing New Jersey SRF program loans (currently, $2.6 million) and Delaware SRF program loans (currently, $2.1 million). These programs provide low cost financing for projects that meet certain water quality and system improvement benchmarks. If needed, we will also borrow funds through $40.0 million of available lines of credit with several financial institutions. As of September 30, 2007, $6.6 million was outstanding against the lines of credit.

We periodically issue shares of common stock in connection with our dividend reinvestment and stock purchase plan (DRP). From time to time, we may issue additional equity to reduce short-term indebtedness, fund our capital program, and for other general corporate purposes.

We currently project that we may be required to expend between $63 million and $87 million for capital projects in 2008 and 2009 combined. To the extent possible and because of the favorable interest rates available to regulated water utilities, we will finance our capital expenditures under SRF loan programs. We also expect to use internally generated funds, proceeds from the DRP and proceeds from additional common stock offerings, as needed to maintain an appropriate capital structure balance.

In addition to the effect of weather conditions on revenues, increases in certain operating costs will impact our liquidity and capital resources. As described above, we have recently received rate relief for Middlesex and earlier in the year for Tidewater and Southern Shores. Changes in operating costs and timing of capital projects will have an impact on revenues, earnings, and cash flows and will also impact the timing of filings for future rate increases.

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 capital program is partially financed with 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 Amortizing Secured Notes and First Mortgage Bonds, which have maturity dates ranging from 2009 to 2038. Over the next twelve months, approximately $2.7 million of the current portion of sixteen existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest of 10% on those borrowings would not have a material effect on earnings.

Item 4. Controls and Procedures

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. 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 have been no changes in the Company's internal controls or in other factors, which materially affected internal controls during the quarter ended September 30, 2007.

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.

PART II. OTHER INFORMATION

Item 1. **Legal Proceedings**

Reference is made to the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and Quarterly Report on Form 10-Q filed for the period ended March 31, 2007 and June 30, 2007. Note 7 to the unaudited Condensed Consolidated Financial Statements for the period ended September 30, 2007, included in Part 1 of this Quarterly Report on Form 10-Q, is hereby incorporated by reference.

Item 1A. **Risk Factors**

We expect our revenues to increase from customer growth in Delaware for our regulated water operations and, to a lesser degree, our regulated wastewater operations as a result of the anticipated construction and sale of new housing units in the territories we serve. Although the residential building market in Delaware has experienced growth in recent years, this growth may not continue in the future. If housing starts in the Delaware territories we serve decline significantly as a result of economic conditions or otherwise, our revenue growth may not meet our expectations and our financial results could be negatively impacted.

As described in Note 7 to the unaudited Condensed Consolidated Financial Statements for the period ended September 30, 2007, included in Part 1 of this Quarterly Report on Form 10-Q, Tidewater has agreed to dismiss its appeal of the notice of violation and request for corrective action issued by the Delaware Fire Marshal. In return for the dismissal both parties have agreed that 15 of the original 67 community water systems previously identified will require certain modifications over a ten-year period in order to provide full fire protection. The expected capital investment to comply with the settlement is $12.0 to $14.0 million and will be expended ratably over the ten-year period. We will apply to the PSC to increase base rates to recover the costs of any such modifications. To the extent the PSC does not approve rate increases to offset these costs, or if there is a significant delay in receiving approval for such rate increases, such costs could have a material adverse effect on our operating results.

Except as described above, information about risk factors for the three months ended September 30, 2007 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, 2006.

Item 2. **Changes in Securities**

None.

Item 3. **Defaults Upon Senior Securities**

None.

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

None.

Item 5. **Other Information**

None.

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Item 6. **Exhibits**

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, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 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.

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

Date: November 2, 2007