UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

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.)

485C Route 1 South, Suite 400, Iselin New Jersey 08830
(Address of principal executive offices, including zip code)
(732) 634-1500
(Registrant's telephone number, including area code)

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

Title of Each Class:	Trading Symbol:	Name of each exchange on which registered:
Common Stock, No Par Value	MSEX	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12(b)-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐		Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2020 was $1,152,416,738 based on the closing market price of $67.18 per share on the NASDAQ Global Select Market.

The number of shares outstanding for each of the registrant's classes of common stock, as of February 25, 2021:
Common Stock, No par Value 17,474,598 shares outstanding

Documents Incorporated by Reference

Proxy Statement to be filed in connection with the Registrant's Annual Meeting of Stockholders to be held on May 25, 2021, which will be filed with the Securities and Exchange Commission within 120 days of the end of our 2020 fiscal year, is incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described herein.

MIDDLESEX WATER COMPANY
FORM 10-K

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FORWARD-LOOKING STATEMENTS

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

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

- effects of general economic conditions;
- increases in competition for growth in non-franchised markets to be potentially served by the Company;
- ability of the Company to adequately control selected operating expenses which are necessary to maintain safe and proper utility services, and which may be beyond the Company’s control;
- availability of adequate supplies of water;
- actions taken by government regulators, including decisions on rate increase requests;
- new or modified water quality standards;
- weather variations and other natural phenomena impacting utility operations;
- financial and operating risks associated with acquisitions and, or privatizations;
- acts of war or terrorism;
- changes in the pace of housing development;
- availability and cost of capital resources; and
- impact of the Novel Coronavirus (COVID-19) or other pandemic; and
- other factors discussed elsewhere in this annual report.

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

PART I

Item 1. Business.

Overview

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

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

The Company’s principal executive offices are located at 485C Route 1 South, Suite 400, Iselin, New Jersey 08830. Our telephone number is (732) 634-1500. Our website address is http://www.middlesexwater.com. Information contained on our website is not part of this Annual Report on Form 10-K. We make available, free of charge through our website, reports and amendments filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, after such material is electronically filed with or furnished to the United States Securities and Exchange Commission (the SEC).

Middlesex System

The Middlesex System in New Jersey provides water services to approximately 61,000 retail customers, primarily in eastern Middlesex County, New Jersey and provides water under wholesale contracts to the City of Rahway, Townships of Edison and Marlboro, the Borough of Highland Park and the Old Bridge Municipal Utilities Authority. The Middlesex System treats, stores and distributes water for residential, commercial, industrial and fire protection purposes. The Middlesex System also provides water treatment and pumping services to the Township of East Brunswick under contract. The amount of water supply allocated to the Township of East Brunswick is granted directly to the Township by the New Jersey Water Supply Authority. The Middlesex System produced approximately 59% of our 2020 consolidated operating revenues.

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

The contract customers of the Middlesex System comprise an area of approximately 110 square miles with a population of over 200,000. Contract sales to the Townships of Edison and Marlboro, the City of Rahway and the Old Bridge Municipal Utilities Authority are supplemental to the water systems owned and operated by these customers. Middlesex is the sole source of water for the Borough of Highland Park and the Township of East Brunswick.

Middlesex provides water service to approximately 300 customers in Cumberland County, New Jersey. This system is referred to as Bayview, and is not physically interconnected with the Middlesex System. Bayview produced less than 1% of our 2020 consolidated operating revenues.

Tidewater System

Tidewater, together with its wholly-owned subsidiary, Southern Shores, provides water services to approximately 52,000 retail customers for residential, commercial and fire protection purposes in over 430 separate communities in New Castle, Kent and Sussex Counties, Delaware. The Tidewater System produced approximately 28% of our 2020 consolidated operating revenues.

USA-PA

USA-PA operates the City of Perth Amboy, New Jersey's (Perth Amboy) water and wastewater systems under a 10-year agreement, which expires in December 2028. There are approximately 12,000 customers comprised of residential, commercial and industrial connections, most of which are served by both the water and wastewater systems. In addition to performing day-to day operations, USA-PA is also responsible for emergency responses and management of capital projects funded by Perth Amboy. USA-PA produced approximately 5% of our 2020 consolidated operating revenues.

Pinelands Systems

Pinelands Water provides water services to approximately 2,500 residential customers in Burlington County, New Jersey. Pinelands Water is not physically interconnected with the Middlesex System. Pinelands Water produced approximately 1% of our 2020 consolidated operating revenues.

Pinelands Wastewater provides wastewater collection and treatment services to approximately 2,500 residential customers. Under contract, it also services one municipal wastewater system in Burlington County, New Jersey with approximately 200 residential customers. Pinelands Wastewater produced approximately 1% of our 2020 consolidated operating revenues.

USA

USA operates the Borough of Avalon, New Jersey's (Avalon) water utility, sewer utility and storm water system under a ten-year operations and maintenance contract expiring in 2022. USA serves approximately 6,400 retail customers in Avalon, most of which are served by both the water system and wastewater collection system. In addition to performing day-to-day operations, USA is responsible for billing, collections, customer service, emergency responses and management of capital projects funded by Avalon.

USA operates the Borough of Highland Park, New Jersey's (Highland Park) water utility and sewer utility under a ten-year operations and maintenance contract expiring in 2030. USA serves approximately 3,300 mostly retail customers in Highland Park. The contract commenced July 1, 2020.

USA also provides unregulated water and wastewater services under contract with several other smaller New Jersey municipalities.

Under a marketing agreement with HomeServe, USA offers residential customers in New Jersey and Delaware various water and wastewater related home maintenance programs. HomeServe is a leading national provider of such home maintenance service programs. USA receives a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts. The agreement expires in July 2021 and renewal discussions are underway.

USA produced approximately 2% of our 2020 consolidated operating revenues.

TESI System

TESI provides wastewater collection and treatment services to approximately 3,900 retail customers in Sussex County, Delaware. TESI produced approximately 2% of our 2020 consolidated operating revenues.

White Marsh

White Marsh operates or maintains water and/or wastewater systems that serve approximately 1,900 retail customers under more than 36 separate contracts. White Marsh also owns two commercial properties that are leased to Tidewater for its administrative office campus and its field operations center. White Marsh produced approximately 1% of our 2020 consolidated operating revenues.

Financial Information

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

	(Thousands of Dollars) Years Ended December 31,		
	2020	2019	2018
Operating Revenues	$ 141,592	$ 134,598	$ 138,077
Operating Income	$ 37,420	$ 35,520	$ 37,142
Net Income	$ 38,425	$ 33,888	$ 32,452

Operating revenues were earned from the following sources:

	Years Ended December 31,		
	2020	2019	2018
Residential	54.2%	53.1%	50.5%
Commercial	10.9	11.3	10.7
Industrial	6.7	7.0	7.4
Fire Protection	8.8	9.1	8.8
Contract Sales	10.7	10.6	10.6
Contract Operations	8.6	8.7	11.9
Other	0.1	0.2	0.1
Total	100.0%	100.0%	100.0%

Water Supplies and Contracts

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

Middlesex System

Our Middlesex System, which produced approximately 13.7 billion gallons in 2020, obtains water from surface sources and wells (groundwater sources). In 2020, surface sources of water provided approximately 64% of the Middlesex System's water supply, groundwater sources provided approximately 27% from 31 Company-owned wells and the balance was purchased from a non-affiliated water utility regulated by the New Jersey Board of Public Utilities (NJBPU) under an agreement which expires February 27, 2026. This agreement provides for minimum purchases of 3.0 million gallons per day (mgd) of treated water with provisions for additional purchases. The Middlesex System's distribution storage facilities are used to supply water to customers at times of peak demand, outages and emergencies.

The principal source of surface water for the Middlesex System is the Delaware & Raritan Canal, which is owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority (NJWSA). Middlesex is under contract with the NJWSA, which expires November 30, 2023, and provides for average purchases of 27.0 mgd of untreated water from the Delaware & Raritan Canal, augmented by the Round

Valley/Spruce Run Reservoir System. The untreated surface water is pumped to, and treated at, the Middlesex Carl J. Olsen (CJO) Water Treatment Plant.

Water supply to Bayview customers is derived from two wells, which produced approximately 6.2 million gallons in 2020.

Tidewater System

Our Tidewater System produced approximately 2.5 billion gallons in 2020, primarily from 180 wells. Tidewater expects to submit applications to Delaware regulatory authorities for the approval of additional wells as growth, customer demand and water quality warrant. Tidewater augments its water production with annual minimum purchases of 15.0 million gallons of treated water under contract from the City of Dover, Delaware. Tidewater does not have a central water treatment facility for the over 430 separate communities it serves. As the number has grown, many of Tidewater's individual systems have been interconnected, forming several regional systems that are served by multiple water treatment facilities owned by Tidewater.

Pinelands Water System

Water supply to our Pinelands Water System is derived from four wells which produced approximately 124.3 million gallons in 2020. The aggregate pumping capacity of the four wells is 2.2 mgd.

Wastewater Facilities

Pinelands Wastewater System

The Pinelands Wastewater System discharges into the South Branch of the Rancocas Creek through a wastewater treatment plant that provides clarification, sedimentation, filtration and disinfection. The total capacity of the plant is 0.5 mgd, and the system treated approximately 97.0 million gallons in 2020.

TESI System

The TESI System is comprised of seven wastewater collection and treatment systems, which are not interconnected. The treatment plants provide clarification, sedimentation, and disinfection. The combined total treatment capacity of the plants is 0.7 mgd. The TESI System treated approximately 125.6 million gallons in 2020.

Human Capital Management

The Company aims to attract and retain the best employees by offering competitive compensation packages along with career development and training opportunities in a safe, supportive and inclusive work environment. Our mission, our business philosophy and the way we deliver for our customers, our shareholders and our employees is rooted in what we, as an enterprise, believe to be our core values of Respect, Integrity, Growth, Honesty and Teamwork. Our employees' success is a key element of the Company's success.

Workforce

As of December 31, 2020, the Company employed 348 employees. None of our employees are subject to a collective bargaining agreement. We believe our employee relations are positive.

Employee Compensation and Benefits

We offer comprehensive competitive employee compensation and benefit programs consistent with employee positions, skill levels, experience, knowledge and geographic location. These programs are independently evaluated by a nationally recognized consulting firm to gauge effectiveness and are benchmarked against industry peers and the overall markets in which we operate our businesses. Compensation increases and incentive compensation are based on merit, which is communicated to employees and well documented in our bi-annual performance evaluation process. Benefits include a variety of programs to enhance employee overall physical, mental and financial health and well-being, including healthcare insurance, employer funded retirement savings plans, life insurance, disability insurance, accident insurance, tuition reimbursement, flu shots, wellness newsletters and webinars, incentive programs for achieving fitness milestones, financial counseling, elder care assistance, substance abuse support and more.

Safety

The Company has implemented safety programs and management practices to promote a culture of safety to protect its employees. This includes required trainings for employees, as well as specific qualifications and certifications for certain operational employees. These active and on-going workplace health and safety training programs and policies keep our rates of occupational injury and illness low. All employees have been empowered to report and immediately stop work which, in their opinion, is unsafe or is not consistent with our safety policies and procedures. They can take this action without fear of reprisal.

In response to the Novel Coronavirus (COVID-19) pandemic, the Company implemented significant changes that it determined were in the best interest of our employees and customers, as well as in addition to complying with government emergency orders and regulations. While the nature of our utility services business necessitated our operating workforce continue to operate in the field and at treatment facilities, we implemented numerous measures to help ensure the safety of those employees, and the public, amidst the pandemic. We closed our administrative offices in late March 2020 and arranged for all affected employees to be able work remotely. In late June 2020, we reopened our offices to accommodate 25% capacity for employees only and those offices remain closed to the public and visitors. For further discussion of the impact of COVID-19 on the Company, see *Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operation, Recent Developments, Novel Coronavirus (COVID-19*).

Employee Development and Training

The Company supports and utilizes various training and educational programs and has developed additional company-wide and project-specific employee training and educational programs, including tuition assistance for full time employees enrolled in pre-approved undergraduate or graduate courses or professional licensing courses. All employees receive training to identify and report operational and financial risks as well as risks to Company brand and reputation, which fosters a personal culture of accountability and reinforces our commitment to a safe and sustainable workplace. All employees receive cybersecurity training and other education regarding the handling of sensitive data. Our Executive Management team and our Board of Directors continually assess succession plans, leadership development and policies and strategies regarding recruitment, retention, career development, diversity, equity and inclusion. Formalized succession planning strategies have been developed for key leadership positions.

Diversity, Equity & Inclusion (DEI)

The Company is committed to DEI based upon our belief that embracing DEI benefits all stakeholders by maintaining a workforce with a variety of skills and perspectives as a result of their diverse backgrounds and experiences. Specific DEI initiatives are in progress to further enhance our culture of belonging.

The Company is focused on recruitment of diverse candidates as well as on internal talent development of its diverse leaders so that all employees are provided with an opportunity to advance their careers within the Company. The Company solicited our employees’ perceptions of the Company’s focus on DEI with a comprehensive survey, followed-up with numerous meetings of groups of employees to discuss the results of the survey and to further engage our employees on matters of DEI. We expect to continue to monitor the results of our DEI efforts and continually explore opportunities to further engage our employees to ensure our actions are in-fact fully consistent with our stated Company core values.

Competition

Our business in our franchised service areas is substantially free from direct competition with other public utilities, municipalities and other entities. However, our ability to provide contract wholesale water supply and operations and maintenance services that are not under the jurisdiction of a state public utility commission is subject to competition from other public utilities, municipalities and other entities. Although Tidewater and TESI have been granted exclusive franchises for each of their existing community water and wastewater systems, their ability to expand service areas can be affected by the Delaware Public Service Commission (DEPSC) awarding

franchises to other regulated water and wastewater utilities with whom we compete for such franchises and for projects.

Regulation

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

- NJBPU;
- DEPSC; and
- Pennsylvania Public Utility Commission (PAPUC).

Our USA, USA-PA and White Marsh subsidiaries are not regulated public utilities as related to rates and service quality. However, they are subject to federal and state environmental regulations with respect to water quality and wastewater effluent quality to the extent such services are provided.

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

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

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

Regulation of Rates and Services

For regulated rate setting purposes, we account separately for our regulated utility operations to facilitate independent rate setting by the applicable Utility Commissions.

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

Middlesex Rate Matters

In November 2020, Middlesex filed a petition with the NJBPU seeking approval to reset its Purchased Water Adjustment Clause (PWAC) tariff rate currently in effect to recover additional costs of $1.1 million for the purchase of treated water from a non-affiliated regulated water utility regulated by the NJBPU. A PWAC is a rate mechanism that allows for recovery of increased purchased water costs between base rate case filings. The PWAC is reset to zero once those increased costs are included in base rates. We cannot predict whether the NJBPU will ultimately approve, deny or reduce the amount of our request.

In March 2020, the NJBPU approved Middlesex's petition to reset its PWAC tariff rate to recover additional costs of $0.6 million for the purchase of treated water from a non-affiliated water utility regulated by the NJBPU. The new PWAC rate became effective on April 4, 2020.

In March 2018, Middlesex's petition to the NJBPU seeking permission to increase its base water rates was concluded, based on a negotiated settlement, resulting in an increase in annual operating revenues of $5.5 million. The approved base water rates were designed to recover increased operating costs as well as a return on invested capital in rate base of $245.5 million, based on an authorized return on common equity of 9.6%. As part of the settlement, Middlesex received approval for regulatory accounting treatment of accumulated deferred income tax benefits associated with required adoption of tangible property regulations issued by the Internal Revenue Service. The settlement agreement allowed for a four-year amortization period for $28.7 million of deferred income tax benefits as well as prospective recognition of the income tax benefits for the immediate deduction of repair costs on tangible property. The rate increase became effective April 1, 2018.

Tidewater Rate Matters

Effective January 1, 2021, Tidewater increased its DEPSC-approved Distribution System Improvement Charge (DSIC) rate, which is expected to generate revenues of approximately $0.6 million annually. A DSIC is a rate-mechanism that allows water utilities to recover investments in, and generate a return on, qualifying capital improvements made between base rate proceedings.

Effective March 1, 2019, Tidewater received approval from the DEPSC to reduce its rates to reflect the lower corporate income tax rate enacted by the Tax Cuts and Jobs Act of 2017, resulting in a 3.35% rate decrease for certain customer classes.

Pinelands Rate Matters

Effective November 4, 2019, Pinelands Water and Pinelands Wastewater received approval from the NJBPU to increase its base rates by $0.5 million. The increased revenues were necessitated by capital infrastructure investments both companies had made and increased operations and maintenance costs.

Southern Shores Rate Matters

Effective January 1, 2020, the DEPSC approved the renewal of a multi-year agreement for water service to a 2,200 unit condominium community in Sussex County, Delaware. Under the agreement, current rates will remain in effect until December 31, 2024, but should there be unanticipated capital expenditures or regulatory related changes in operating expenses exceeding certain thresholds during this time period, rates are permitted to be adjusted to reflect such cost changes. Thereafter, rate increases, if any, cannot exceed the lesser of the regional Consumer Price Index or 3%. The new agreement expires on December 31, 2029.

Future Rate Filings

Management monitors the need for rate relief for our regulated entities on an ongoing basis. When capital improvements and/or increases in operation and maintenance costs require rate relief, base rate increase requests are expeditiously filed with the respective Utility Commissions.

Regulatory Service Matters

Twin Lakes provides water services to approximately 115 residential customers in Shohola, Pennsylvania. In 2020, Twin Lakes filed a petition requesting the PAPUC to exercise its discretion under Section 529 of the Pennsylvania Public Utility Code (the Code) to order the acquisition of Twin Lakes by a public utility as defined by the Code. The PAPUC assigned an Administrative Law Judge (ALJ) to adjudicate the matter and submit a decision to the PAPUC. Pre-filed testimony was submitted by all parties and an evidentiary hearing was held by the ALJ in early January 2021. The briefing schedule concluded on February 25, 2021 and a decision by the ALJ is expected to be issued in the second quarter of 2021. A final PAPUC Order on this matter is expected to also be issued during the second quarter of 2021. Separately, in January 2021, the PAPUC issued an Order appointing a large Pennsylvania based investor-owned water utility as the receiver (the Receiver Utility) of the Twin Lakes system effective January 15, 2021 with the receivership to remain in place until the final outcome of the Section 529 proceeding. In connection with this receivership, the Receiver Utility's responsibilities will include operating and maintaining the system assets in compliance with all state, federal and local laws and regulations, maintaining existing or necessary permits, licenses, approvals, authorizations, orders, consents, registrations or filings, providing a list of recommended capital improvements, providing all supervision and personnel necessary and responding to system emergencies by taking necessary action to ensure the continued provision of adequate, efficient, safe and reasonable service. We cannot predict whether the PAPUC will ultimately approve or deny the Section 529 petition. Twin Lakes' PAPUC-approved annual revenues and rate base are currently set at $0.2 million and $1.5 million, respectively, and its financial results, total assets and financial obligations are not material to the Company.

COVID-19

The NJBPU and the DEPSC have allowed for potential future recovery in customer rates of additional costs related to COVID-19. Neither jurisdiction has yet to establish a timeline or definitive formal procedures for seeking cost recovery (for further discussion of the impact of COVID-19 on the Company,see *Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operation, Recent Developments, Novel Coronavirus (COVID-19*)).

Water and Wastewater Quality and Environmental Regulations

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

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

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

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

Treatment of groundwater in our Tidewater System is by chlorination for disinfection purposes and, in some cases, pH adjustment and filtration for nitrate and iron removaland granular activated carbon filtration for organics removal. Chloramination is used for final disinfection at Southern Shores.

Treatment of groundwater in the Pinelands Water and Bayview Systems (primary disinfection only) is performed at individual well sites.

Treatment of wastewater in the Pinelands Wastewater and TESI Systems includes rotating biological contactors. Membrane bioreactors, sequential batch reactors and lagoon treatment coupled with spray irrigation are also utilized in the TESI System.

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

Seasonality

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

Management

This table lists information concerning our executive management team:

Name	Age	Principal Position(s)
Dennis W. Doll	62	President, Chief Executive Officer and Chairman of the Board of Directors
A. Bruce O'Connor	62	Senior Vice President, Treasurer and Chief Financial Officer
G. Christian Andreasen, Jr.	61	Vice President-Enterprise Engineering
Robert K. Fullagar	53	Vice President-Operations
Lorrie B. Ginegaw	45	Vice President-Human Resources
Jay L. Kooper	48	Vice President-General Counsel and Secretary
Georgia M. Simpson	47	Vice President-Information Technology
Bernadette M. Sohler	60	Vice President-Corporate Affairs

Dennis W. Doll – Mr. Doll joined the Company in 2004 and was named President and Chief Executive Officer and a Director of Middlesex effective January 1, 2006. In May 2010, he was first elected Chairman of the Board. He is also Chairman for all subsidiaries of Middlesex. Prior to joining the Company, Mr. Doll had been employed in various executive leadership roles in the regulated water utility business since 1985. Mr. Doll also serves on the Board of the non-profit Court Appointed Special Advocates (CASA) of Middlesex County, New Jersey (Executive Committee, Board Member and Treasurer) and as Director, Emeritus of The Water Research Foundation.

A. Bruce O'Connor – Mr. O'Connor, a Certified Public Accountant, joined the Company in 1990 and was named Vice President and Chief Financial Officer in 1996 and Treasurer in 2014. On January 1, 2019, Mr. O'Connor was appointed Senior Vice President of Middlesex and President of Tidewater, TESI and White Marsh. Mr. O'Connor is also the principal financial officer and a Director of all Middlesex subsidiaries.

G. Christian Andreasen, Jr. – Mr. Andreasen, a licensed professional engineer, joined the Company in 1982, was named Assistant Vice President-Enterprise Engineering in January 2019 and promoted to Vice President-Enterprise Engineering in July 2019. He is President and a Director of Pinelands Water and Pinelands Wastewater. Mr. Andreasen serves as a Director of the American Water Works Association and is Vice Chair of the NJDEP's Water Supply Advisory Council.

Robert K. Fullagar – Mr. Fullagar, a licensed professional engineer, joined the Company in 1997, was named Assistant Vice President-Operations in January 2019 and promoted to Vice President-Operations in July 2019. He is President and a Director of USA-PA, USA and Twin Lakes. Mr. Fullagar serves as Sector Chair of the New Jersey Infrastructure Advisory Committee.

Lorrie B. Ginegaw – Ms. Ginegaw joined Tidewater in 2004 and in 2007 was promoted to Director of Human Resources for Middlesex. In March 2012, Ms. Ginegaw was named Vice President-Human Resources. Prior to joining the Company, Ms. Ginegaw worked in various human resources positions in the healthcare and transportation/logistics industries. Ms. Ginegaw serves as a volunteer director on the Board of the New Jersey Utilities Association.

Jay L. Kooper – Mr. Kooper joined the Company in 2014 as Vice President and General Counsel and serves as Secretary for the Company and all subsidiaries. Prior to joining the Company, Mr. Kooper held various positions in private and public entities as well as in private law practice, representing electric, gas, water, wastewater, telephone and cable companies as well as municipalities and private clients before 17 state public utility commissions and legislatures, federal agencies and federal and state appellate courts. Mr. Kooper serves as a volunteer director on selected non-profit utility industry-related Boards including the National Association of Water Companies (current Director and Chairman of the New Jersey Chapter) and the New Jersey State Bar Association's Public Utility Law Section (current Consultor and Past Chairman) and on other non-profit boards based in New Jersey, including Temple B'Nai Abraham in Livingston, New Jersey (current Vice President and Trustee) and the Crohn's and Colitis Foundation's New Jersey Chapter.

Georgia M. Simpson – Ms. Simpson joined the Company in 2009, was named Assistant Vice President-Information Technology in January 2019 and promoted to Vice President- Information Technology in July 2019. Prior to joining the Company, Ms. Simpson held various Information Technology positions and has gained an extensive array of technical and business computer certifications. Ms. Simpson serves as a member of the Delaware Cyber Security Advisory Council, the Society for Information Management, New Jersey chapter and the Project Management Institute, New Jersey chapter.

Bernadette M. Sohler – Ms. Sohler joined the Company in 1994 and was named Vice President-Corporate Affairs in March 2007. She also serves as Vice President of USA. Prior to joining the Company, Ms. Sohler held marketing and public relations management positions in the financial services industry. Ms. Sohler serves as a volunteer director on area Chambers of Commerce and several other non-profit Boards and is the Chair of the New Jersey Utilities Association's Communications Committee.

ITEM 1A. RISK FACTORS.

Operational Risks

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

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

Our water sources or water service provided to customers may become contaminated by naturally-occurring or man-made compounds and events. This may cause disruption in services and impose operational and regulatory enforcement costs upon us to restore the water to required levels of quality as well as may damage our reputation and cause private litigation claims against us.

Our sources of water or water in our distribution systems may become contaminated by naturally-occurring or man-made compounds or other events. In the event that any portion of our water supply sources or water distribution systems is contaminated, we may need to interrupt service to our customers until we are able to remediate the contamination or substitute the flow of water from an uncontaminated water source through existing interconnections with other water purveyors or through our transmission and distribution systems, where possible. We may also incur significant costs in treating any contaminated water, or remediating the effects on our treatment and distribution systems, through the use of our current treatment facilities, or development of new treatment methods. Our inability to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water supply in a cost-effective manner, may reduce our revenues and make us less profitable.

We may be unable to recover costs associated with treating or decontaminating water supplies through rates, or recovery of these costs may not occur in a timely manner. In addition, we could be subject to claims for damages arising from government enforcement actions or other lawsuits arising out of interruption of service or human exposure to hazardous substances in our drinking water and water supplies. Such costs could adversely affect our financial results.

Contamination of the water supply or the water service provided to our customers could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation, which are inherently subject to uncertainties and are potentially subject to unfavorable rulings. Negative impacts to our profitability and our reputation may occur even if we are not responsible for the contamination or the consequences arising out of human exposure to contamination or hazardous substances in the water or water supplies. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

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

Because of physical and operational threats to the health and security of the United States of America, we employ procedures to review and modify, as necessary, physical and other security measures at our facilities. We provide ongoing training and communications to our employees about threats to our water supply, our assets and related systems and our employees' personal safety. We have incurred, and will continue to incur, costs for security measures to protect against such risks.

Climate variability may cause worsening of weather volatility in the future, which may impact water usage and related revenue or may require additional expenditures to reduce the risk associated with any increasing storm, flood and drought occurrences.

The issue of climate variability is receiving increasing attention nationally and worldwide. Some scientific experts are predicting a worsening of weather volatility in the future associated with climate variability. If true, increased climate variability may cause increased precipitation and flooding, increased frequency and severity of storms and other weather events, potential degradation of water quality, decreases in available water supply, changes in water usage patterns and increases in disruptions in service. Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Although some or all potential expenditures and costs with respect to our regulated businesses could be recovered through rates, there can be no assurance that the NJBPU, DEPSC or PAPUC would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

Regulatory Risks

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

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

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

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

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

Government environmental regulatory agencies' regulations relating to water quality require us to perform expanded types of testing to ensure that our water meets state and federal water quality requirements. We are subject to EPA regulations under the Federal Safe Drinking Water Act, which include the Lead and Copper Rule, the maximum contaminant levels established for various volatile organic compounds, the Federal Surface Water Treatment Rule and the Total Coliform Rule. There are also similar NJDEP regulations for our New Jersey water systems. The NJDEP, DEDPH and PADEP monitor our activities and review the results of water quality tests that

we perform for adherence to applicable regulations. In addition, Government Environmental Regulatory Agencies are continually reviewing regulations governing the limits of certain organic compounds found in the water as byproducts of treatment.

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

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

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

Financial Risks

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

We require financing from external sources to fund the ongoing capital program for the improvement in our utility system assets and for planned expansion of those systems. We expect to spend approximately $314 million for capital projects through 2023. We must obtain prior approval from our economic regulators to sell debt or equity securities to raise money for these projects. If sufficient capital is not available, or the cost of capital is too high, or if the regulatory authorities deny a petition of ours to sell debt or equity securities, we may not be able to meet the costs of complying with environmental laws and regulations or the costs of improving and expanding our utility system assets to the level we believe operationally prudent. This may result in the imposition of fines from environmental regulators or restrictions on our operations which could curtail our ability to upgrade or replace utility system assets.

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

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

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

USA-PA and USA operate and maintain water and wastewater systems for three New Jersey municipalities under 10-year contracts expiring in 2022, 2028 and 2030, respectively. These contracts do not protect us against incurring costs in excess of revenues we earn pursuant to the contracts. There can be no absolute assurance that we will not experience losses resulting from these contracts. Losses under these contracts, or our failure or inability to perform or renew such agreements, may have a material adverse effect on our financial condition and results of operations.

Capital market conditions and key assumptions may adversely impact the value of our postretirement benefit plan assets and liabilities.

Market factors can adversely affect the rate of return on assets held in trusts to satisfy our future postretirement benefit obligations as well negatively affect interest rates, which impacts the discount rates used in the determination of our postretirement benefit actuarial valuations. In addition, changes in demographics, such as increases in life expectancy assumptions, can increase future postretirement benefit obligations. Any negative impact to these factors, either individually or a combination thereof, may have a material adverse effect on our financial condition and results of operations.

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

The acquisition and/or operation of water and wastewater systems is an element of our growth strategy. This strategy depends on identifying suitable opportunities and reaching mutually agreeable terms with acquisition candidates or contract parties. Further, acquisitions may result in dilution of our equity securities, incurrence of debt and contingent liabilities, fluctuations in quarterly results and other related expenses. In addition, the assets, operations, contracts or companies we acquire may not achieve the revenues and profitability expected.

Our ability to achieve organic customer growth in our market area is dependent on the residential building market. New housing starts are one element that impacts our rate of growth and therefore, may not meet our expectations.

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

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

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

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

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

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

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

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

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

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

Adverse economic conditions could negatively impact our customers’ water usage demands, particularly the level of water usage demand by our commercial and industrial customers in our Middlesex System. If water demand by our commercial and industrial customers in our Middlesex System were negatively impacted, our financial condition and results of operations could continue to be negatively impacted.

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

Our New Jersey water and wastewater businesses provide services to customers who are located primarily in eastern Middlesex County, New Jersey. Water service is provided under wholesale contracts to the Townships of Edison, East Brunswick and Marlboro, the Borough of Highland Park, the Old Bridge Municipal Utilities Authority and the City of Rahway. We also provide water and wastewater services to customers in the State of Delaware. Our revenues and operating results are therefore subject to local regulatory, economic, demographic, competitive and weather conditions in a relatively concentrated geographic area. A change in any of these conditions could make it more costly for us to conduct our business.

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

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

General Risks

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

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

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

Cyber-attacks on entities around the world have caused operational failures and/or compromised corporate and personal data. Such attacks could result in the loss, or compromise, of customer, financial or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems and delays in financial reporting and other management functions. Possible impacts associated with a cyber-incident may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation and reputational damage.

The Novel Coronavirus (COVID-19) pandemic and the attempt to contain it may harm our business, results of operations, financial condition and liquidity.

On March 13, 2020, the United States declared the COVID-19 pandemic a national emergency. The impact that COVID-19 will have on the Company, our customers and our vendors prospectively depends on numerous uncertainties, including the severity and duration of the pandemic, sufficiency of the government's vaccination program and actions which could potentially be taken by federal or state governmental and/or regulatory authorities and could have an adverse effect on the Company's business, results of operations, financial condition, and liquidity.

We depend significantly on the technical and management services of our senior management team, and the departure of any of those persons could cause our operating results to temporarily be short of our expectations.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Utility Plant

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

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

We believe our water and wastewater utility plant facilities are sufficient for the operations of the Company.

Middlesex System

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

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

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

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

The transmission and distribution system is comprised of 746 miles of mains and includes 24,300 feet of 48-inch concrete transmission main and 23,400 feet of 42-inch ductile iron transmission main connecting the CJO Water Treatment Plant to our distribution pipe network and related storage facilities. Also included are a 58,600 foot transmission main and a 38,800 foot transmission main, augmented with a long-term, non-exclusive agreement with East Brunswick to transport water through the East Brunswick system to several of our other contract customers.

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

In New Jersey, we own the properties on which the Middlesex System's 31 wells are located, the properties on which our storage tanks are located as well as the property where the CJO Water Treatment Plant is located. We own our operations center located at 1500 Ronson Road, Iselin, New Jersey, consisting of a 27,000 square foot office building, 16,500 square foot maintenance facility and a 1.96 acre equipment and materials storage and staging yard. We lease 29,036 square feet of commercial office space adjacent to the Ronson Road complex. The leased space, which is under contract through 2028, houses our corporate administrative functions including executive, accounting, customer service and billing, engineering, human resources, information technology and legal.

Tidewater System

The Tidewater System is comprised of 87 production plants that vary in pumping capacity from 46,000 gallons per day to 4.4 mgd. Water is transported to our customers through 836 miles of transmission and distribution mains. Storage facilities include 47 tanks, with an aggregate capacity of 8.0 million gallons. The Delaware office property, located on an eleven-acre parcel owned by White Marsh, consists of two office buildings totaling approximately 17,000 square feet. In addition, Tidewater maintains a field operations center servicing its largest service territory in Sussex County, Delaware. The operations center is located on a 2.9 acre parcel owned by White Marsh, and consists of three buildings totaling approximately 12,000 square feet.

Pinelands Water System

Pinelands Water owns well site and storage properties in Southampton Township, New Jersey. The Pinelands Water storage facility is a 1.3 million gallon standpipe. Water is transported to our customers through 18 miles of transmission and distribution mains.

Pinelands Wastewater System

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

Bayview System

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

TESI System

The TESI System is comprised of seven wastewater treatment systems in Southern Delaware. The treatment plants provide clarification, sedimentation, and disinfection. The combined total capacity of the plants is 0.7 mgd. TESI's wastewater collection system is comprised of approximately 47.5 miles of sewer lines.

USA-PA, USA and White Marsh

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

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company’s common stock is traded on the NASDAQ Stock Market, LLC, under the symbol MSEX. As of December 31, 2020, there were 1,818 holders of record.

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

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

In November 2019, the Company sold and issued 0.8 million shares of its common stock in a public offering priced at $60.50 per share. The net proceeds of $43.7 million were used for general corporate purposes including repayment of a portion of the Company’s short-term debt outstanding.

The Company issues shares of its common stock in connection with its Middlesex Water Company Investment Plan (the Investment Plan), a direct share purchase and dividend reinvestment plan for the Company’s common stock. Since the inception of the Investment Plan and its predecessor plan, the Company has periodically replenished the level of authorized shares in the plans. Currently, there remains 0.4 million shares registered with the SEC for the Investment Plan and available for potential issuance to participants. The Company raised approximately $1.2 million through the issuance of shares under the Investment Plan during 2020. In 2019, the Company raised approximately $12.7 million primarily through a limited duration six-month share purchase discount feature of the Investment Plan. The 0.2 million share purchase limit was reached and the discount offer ceased prior to the original ending date.

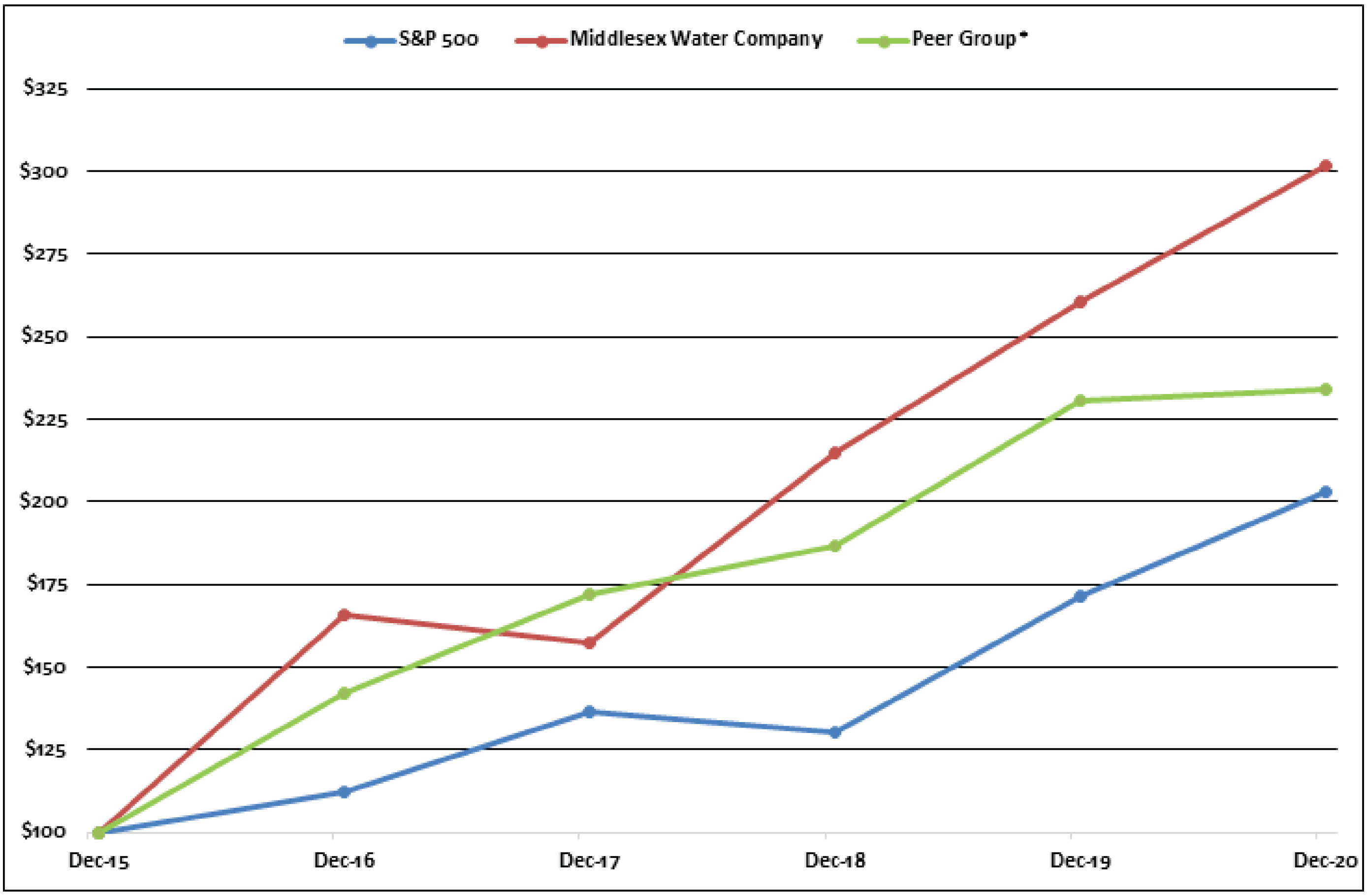
The Company maintains a long-term incentive compensation plan where awards are made in the form of restricted common stock for certain management employees (the 2018 Restricted Stock Plan). Shares of restricted common stock issued in connection with the 2018 Restricted Stock Plan are subject to forfeiture by the employee in the event of termination of employment for any reason within five years of the award, other than as a result of retirement at normal retirement age, death, disability or change in control. The maximum number of shares authorized for grant under the 2018 Restricted Stock Plan is 0.3 million shares, of which approximately 89% remain available for award.

The Company maintains a stock compensation plan for its outside directors (the Outside Director Stock Compensation Plan) as a component of Director compensation. In 2020, shares of the Company’s common stock valued at $0.2 million were granted and issued to the Company’s outside directors under the Outside Director Stock Compensation Plan. The maximum number of shares authorized for grant under the Outside Director Stock Compensation Plan is 0.1 million. Approximately 53% of the authorized shares remain available for future.

Set forth below is a line graph comparing the yearly change in the cumulative total return (which includes reinvestment of dividends) of a $100 investment for the Company’s common stock, a peer group of investor-owned water utilities, and the S&P 500 Stock Index for the period of five years commencing December 31, 2015. The S&P 500 Stock Index measures the stock performance of 500 large companies listed on stock exchanges in the United States.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Middlesex Water Company, the S&P 500 Stock Index and a Peer Group*



* Peer group includes American States Water Company, Artesian Resources Corp., California Water Service Group, SJW Corp., York Water Company and Middlesex.

	December 31,					
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Middlesex Water Company	100.00	165.64	157.49	215.04	260.50	301.63
S&P 500 Stock Index	100.00	111.96	136.40	130.42	171.49	203.04
Peer Group	100.00	141.98	172.22	186.65	203.80	234.07

ITEM 6. SELECTED FINANCIAL DATA.

CONSOLIDATED SELECTED FINANCIAL DATA
(Thousands Except per Share Data)

	2020	2019	2018	2017	2016
Operating Revenues	$ 141,592	$ 134,598	$ 138,077	$ 130,775	$ 132,906
Operating Expenses:					
Operations and Maintenance	70,796	67,980	71,570	65,490	65,864
Depreciation	18,472	16,716	15,037	13,922	12,796
Other Taxes	14,904	14,382	14,328	13,565	13,944
Total Operating Expenses	104,172	99,078	100,935	92,977	92,604
Operating Income	37,420	35,520	37,142	37,798	40,302
Other Income (Expense), Net	4,379	2,492	2,992	1,617	(532)
Interest Charges	7,493	7,264	6,758	5,506	5,293
Income Taxes	(4,119)	(3,140)	924	11,100	11,735
Net Income	38,425	33,888	32,452	22,809	22,742
Preferred Stock Dividend	120	132	144	144	144
Earnings Applicable to Common Stock	$ 38,305	$ 33,756	$ 32,308	$ 22,665	$ 22,598
Earnings per Share:					
Basic	$ 2.19	$ 2.02	$ 1.97	$ 1.39	$ 1.39
Diluted	$ 2.18	$ 2.01	$ 1.96	$ 1.38	$ 1.38
Average Shares Outstanding:					
Basic	17,459	16,685	16,384	16,330	16,270
Diluted	17,574	16,829	16,540	16,486	16,426
Dividends Declared and Paid Per Share	$ 1.041	$ 0.976	$ 0.911	$ 0.858	$ 0.808
Total Assets	$ 976,470	$ 909,878	$ 767,830	$ 661,140	$ 620,161
Convertible Preferred Stock	$ 1,005	$ 1,005	$ 1,354	$ 1,354	$ 1,356
Long-term Debt	$ 273,244	$ 230,777	$ 152,851	$ 139,045	$ 134,538

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

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

Management's Overview

Operations

Middlesex Water Company (Middlesex or the Company) has operated as a water utility in New Jersey since 1897 and in Delaware through our wholly-owned subsidiary, Tidewater Utilities, Inc. (Tidewater), since 1992. We are in the business of collecting, treating and distributing water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate water and wastewater systems under contract for governmental entities and private entities primarily in New Jersey and Delaware and provide regulated wastewater services in New Jersey and Delaware through five subsidiaries. We are regulated by state public utility commissions as to rates charged to customers for water and wastewater services, as to the quality of water and wastewater services we provide and as to certain other matters in the states in which our regulated subsidiaries operate. Only our Utility Service Affiliates, Inc. (USA), Utility Service Affiliates (Perth Amboy), Inc. (USA-PA) and White Marsh Environmental Services, Inc. (White Marsh) subsidiaries are not regulated public utilities as related to rates and services quality. All municipal or commercial entities whose utility operations are managed by these entities however, are subject to environmental regulation at the federal and state levels.

Our primary New Jersey water utility system (the Middlesex System) provides water services to approximately 61,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water sales under contract to municipalities in central New Jersey with a total population of over 0.2 million. Our Bayview system provides water services in Downe Township, New Jersey. Our other New Jersey subsidiaries, Pinelands Water Company (Pinelands Water) and Pinelands Wastewater Company (Pinelands Wastewater) (collectively, Pinelands), provide water and wastewater services to approximately 2,500 customers in Southampton Township, New Jersey.

Our Delaware subsidiaries, Tidewater and Southern Shores Water Company, LLC (Southern Shores), provide water services to approximately 52,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Tidewater's subsidiary, White Marsh, services approximately 1,900 customers in Kent and Sussex Counties through various operations and maintenance contracts.

Our Tidewater Environmental Services, Inc. (TESI) subsidiary provides wastewater services to approximately 3,900 retail customers in Sussex Counties, Delaware.

USA-PA operates the water and wastewater systems for the City of Perth Amboy, New Jersey (Perth Amboy) under a 10-year operations and maintenance contract expiring in 2028. In addition to performing day-to day operations, USA-PA is also responsible for emergency response and management of capital projects funded by Perth Amboy.

USA operates the Borough of Avalon, New Jersey's (Avalon) water utility, sewer utility and storm water system under a 10-year operations and maintenance contract expiring in 2022. In addition to performing day-to-day operations, USA is responsible for billing, collections, customer service, emergency response and management of capital projects funded by Avalon. Beginning July 1, 2020, USA began operating the Borough of Highland Park, New Jersey's (Highland Park) water and wastewater systems under a 10-year operations and maintenance contract. Under a marketing agreement with HomeServe, USA offers residential customers in New Jersey and Delaware water and wastewater related services and home maintenance programs. HomeServe is a leading national provider of such home maintenance service programs. USA receives a service fee for the billing, cash collection and other administrative matters associated with HomeServe's service contracts. USA also provides unregulated water and wastewater services under contract with several New Jersey municipalities.

Recent Developments

Capital Construction Program - The Company's multi-year capital construction program encompasses numerous projects designed to upgrade and replace utility infrastructure as well as enhance the integrity and reliability of assets to better serve the current and future generations of water and wastewater customers. The Company plans to invest approximately $134 million in 2021 in connection with this plan for projects that include, but are not limited to:

- Completion of construction of a facility to provide an enhanced treatment process at the Company's largest water treatment plant in Edison, New Jersey to mitigate the formation of disinfection by-products that can develop during the water treatment process, as well as other improvements;
- Construction of a facility to provide an enhanced treatment process at the Company's largest wellfield in South Plainfield, New Jersey to comply with new state water quality regulations relative to poly- and perfluoroalkyl substances, collectively referred to as PFAS, and integrate surge protection to mitigate spikes in water pressures along with enhancements to corrosion control and chlorination processes;
- Renovations and related construction at our 37-year old Middlesex Operations facility in New Jersey, including more efficient work space to meet the evolved needs of the business, enhancements to information technology infrastructure, improved energy efficiency and regulatory requirements;
- Replacement of approximately four miles of water mains including service lines, valves, fire hydrants and meters in Metuchen, New Jersey; and

- Construction of a new upgraded wastewater treatment plant to serve our customers in the Town of Milton, Delaware.

Novel Coronavirus (COVID-19) - On March 13, 2020, the United States had declared the COVID-19 pandemic a national emergency. The ongoing impact on changing economic conditions due to COVID-19 continues to be uncertain and could affect the Company's results of operations, financial condition and liquidity in the future. While the Company's operations and capital construction program have not been significantly disrupted to-date from COVID-19, we are unable to assess with certainty the impact that COVID-19 will have on our business, our customers and our vendors prospectively, due to numerous uncertainties, including the continued severity and duration of the pandemic, sufficiency of the government's vaccination program and actions which could potentially be taken by federal or state governmental and/or regulatory authorities.

The New Jersey Board of Public Utilities (NJBPU) and the Delaware Public Service Commission (DEPSC) have allowed for potential future recovery of COVID-19 related incremental costs through customer rates by the regulated utilities under their respective jurisdictions. Neither jurisdiction has yet to establish a timetable or definitive formal procedures for seeking cost recovery. We will continue to monitor the COVID-19 situation and evaluate its impact on the Company's business, results of operations, financial condition and liquidity.

Contract Operations – In May 2020,USA, through a competitive bidding process, was awarded a ten-year, $8.3 million contract to operate and maintain Highland Park's water and wastewater systems. The contract commenced July 1, 2020.

Private Placement Loan – In November 2020, Middlesex closed on a $40.0 million, 2.90% private placement loan with a maturity date of November 2050 by issuing first mortgage bonds (FMBs). Proceeds were used to reduce the Company's existing short-term borrowings under its lines of credit and for the Company's 2020 capital program.

Twin Lakes Utilities, Inc. (Twin Lakes) - Twin Lakes provides water services to approximately 115 residential customers in Shohola, Pennsylvania. In 2020, Twin Lakes filed a petition requesting the Pennsylvania Public Utilities Commission (PAPUC) to exercise its discretion under Section 529 of the Pennsylvania Public Utility Code (the Code) to order the acquisition of Twin Lakes by a public utility as defined by the Code. The PAPUC assigned an Administrative Law Judge (ALJ) to adjudicate the matter and submit a decision to the PAPUC. Pre-filed testimony was submitted by all parties and an evidentiary hearing was held by the ALJ in early January 2021. The briefing schedule concluded on February 25, 2021 and a decision by the ALJ is expected to be issued in the second quarter of 2021. A final PAPUC Order on this matter is expected to also be issued during the second quarter of 2021. Separately, in January 2021, the PAPUC issued an Order appointing a large Pennsylvania based investor-owned water utility as the receiver (the Receiver Utility) of the Twin Lakes system effective January 15, 2021 with the receivership to remain in place until the final outcome of the Section 529 proceeding. In connection with this receivership, the Receiver Utility's responsibilities will include operating and maintaining the system assets in compliance with all state, federal and local laws and regulations, maintaining existing or necessary permits, licenses, approvals, authorizations, orders, consents, registrations or filings, providing a list of recommended capital improvements, providing all supervision and personnel necessary and responding to system emergencies by taking necessary action to ensure the continued provision of adequate, efficient, safe and reasonable service. We cannot predict whether the PAPUC will ultimately approve or deny the Section 529 petition. Twin Lakes' PAPUC-approved annual revenues and rate base are currently set at $0.2 million and $1.5 million, respectively, and its financial results, total assets and financial obligations are not material to the Company.

Strategy for Growth

Our strategy for profitable growth is focused on the following key areas:

- Invest in projects, products and services that complement our core water and wastewater competencies;
- Timely and adequate recovery of infrastructure investments and other costs to maintain service quality;
- Prudent acquisitions of investor and municipally-owned water and wastewater utilities; and
- Operation of municipal and industrial water and wastewater systems on a contract basis which meet our risk profile.

Rates

Middlesex - In November 2020, Middlesex filed a petition with the NJBPU seeking approval to reset its Purchased Water Adjustment Clause (PWAC) tariff rate currently in effect to recover additional costs of $1.1 million for the purchase of treated water from a non-affiliated regulated water utility regulated by the NJBPU. A PWAC is a rate mechanism that allows for recovery of increased purchased water costs between base rate case filings. The PWAC is reset to zero once those increased costs are included in base rates. We cannot predict whether the NJBPU will ultimately approve, deny or reduce the amount of our request.

In March 2020, the NJBPU approved Middlesex's petition to reset its PWAC tariff rate to recover additional costs of $0.6 million for the purchase of treated water from a non-affiliated water utility regulated by the NJBPU. The new PWAC rate became effective on April 4, 2020.

In March 2018, Middlesex's petition to the NJBPU seeking permission to increase its base water rates was concluded, based on a negotiated settlement, resulting in an increase in annual operating revenues of $5.5 million. The approved base water rates were designed to recover increased operating costs as well as a return on invested capital in rate base of $245.5 million, based on an authorized return on common equity of 9.6%. As part of the settlement, Middlesex received approval for regulatory accounting treatment of accumulated deferred income tax benefits associated with required adoption of tangible property regulations issued by the Internal Revenue Service. The settlement agreement allowed for a four-year amortization period for $28.7 million of deferred income tax benefits as well as prospective recognition of the income tax benefits for the immediate deduction of repair costs on tangible property. The rate increase became effective April 1, 2018.

Tidewater Rate Matters

Effective January 1, 2021, Tidewater increased its DEPSC-approved Distribution System Improvement Charge (DSIC) rate, which is expected to generate revenues of approximately $0.6 million annually. A DSIC is a rate-mechanism that allows water utilities to recover investments in, and generate a return on, qualifying capital improvements made between base rate proceedings.

Effective March 1, 2019, Tidewater received approval from the DEPSC to reduce its rates to reflect the lower corporate income tax rate enacted by the Tax Cuts and Jobs Act of 2017 (the Tax Act), resulting in a 3.35% rate decrease for certain customer classes.

Pinelands Rate Matters

Effective November 4, 2019, Pinelands Water and Pinelands Wastewater received approval from the NJBPU to increase its base rates by $0.5 million. The increased revenues were necessitated by capital infrastructure investments both companies had made and increased operations and maintenance costs.

Southern Shores Rate Matters

Effective January 1, 2020, the DEPSC approved the renewal of a multi-year agreement for water service to a 2,200 unit condominium community in Sussex County, Delaware. Under the agreement, current rates will remain in effect until December 31, 2024, but should there be unanticipated capital expenditures or regulatory related changes in operating expenses exceeding certain thresholds during this time period, rates are permitted to be adjusted to reflect such cost changes. Thereafter, rate increases, if any, cannot exceed the lesser of the regional Consumer Price Index or 3%. The new agreement expires on December 31, 2029.

Outlook

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 (which are evident in comparison discussions in the Results of Operations section below). Weather patterns which can result in lower customer demand for water may occur in 2021. As operating costs are anticipated to increase in 2021 in a variety of categories, we continue to implement plans to further streamline operations and further reduce, and mitigate increases in, operating costs. Changes in customer water usage habits, as well as increases in capital expenditures and operating costs, are significant factors in determining the timing and extent of rate increase requests.

An additional factor that may affect our outlook in 2021 is the impact of COVID-19 on the general economy and the resulting impact on our customers. For example, while many commercial and industrial business operations have curtailed operations as a result of COVID-19 in the respective states in which we operate, potentially resulting in lower water demand for those classes of customer, usage by residential customers has increased due to remote working arrangements (for further discussion of the impact of COVID-19 on the Company, see *Recent Developments, Novel Coronavirus (COVID-19)* above). In addition, our customer collection efforts for Middlesex and Pinelands have been suspended based on State of Emergency Orders (SEOs). Meanwhile, these SEOs have declared utility construction projects to be essential and therefore, are allowed to continue subject to nationally-established COVID-19 safety precautions.

Organic residential customer growth for our Tidewater system is expected to be comparable to that experienced in 2020, which was approximately 5%.

The Company has projected it will spend approximately $314 million for its 2021-2023 capital investment program, including approximately $18 million for the upgrade of Middlesex's primary water treatment plant in New Jersey, $43 million on our RENEW Program, our ongoing initiative to replace water mains in the Middlesex System, $38 million for wellfield treatment upgrades in the Middlesex System and $14 million for construction of a new replacement wastewater treatment plant in Milton, Delaware.

Operating Results by Segment

The Company has two operating segments, Regulated and Non-Regulated. Our Regulated segment contributed approximately 91%, 91% and 88% of total revenues for the years ended December 31, 2020, 2019 and 2018, respectively and approximately 93%, 93% and 93% of net income for the years ended December 31, 2020, 2019 and 2018, respectively. The discussion of the Company's results of operations is on a consolidated basis and includes significant factors by subsidiary. The segments in the tables included below are comprised of the following companies: Regulated- Middlesex, Tidewater, Pinelands, Southern Shores, TESI and Twin Lakes; Non-Regulated- USA, USA-PA, and White Marsh.

Results of Operations for 2020 as Compared to 2019

	(In Millions) Years Ended December 31,					
	2020			2019		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$ 129.5	$ 12.1	$ 141.6	$ 122.8	$ 11.8	$ 134.6
Operations and maintenance expenses	62.5	8.3	70.8	60.5	7.5	68.0
Depreciation expense	18.3	0.2	18.5	16.5	0.2	16.7
Other taxes	14.7	0.2	14.9	14.2	0.2	14.4
Operating income	34.0	3.4	37.4	31.6	3.9	35.5
Other income (expense), net	4.3	0.1	4.4	2.8	(0.3)	2.5
Interest expense	7.5	-	7.5	7.2	0.1	7.3
Income taxes	(5.1)	1.0	(4.1)	(4.4)	1.2	(3.2)
Net income	$ 35.9	$ 2.5	$ 38.4	$ 31.6	$ 2.3	$ 33.9

Operating Revenues

Operating revenues for the year ended December 31, 2020 increased $7.0 million from the same period in 2019 due to the following factors:

- Middlesex System revenues increased $3.1 million due to increased customer water consumption resulting from increased demand from our residential and wholesale contract customers;
- Tidewater System revenues increased $2.9 million due to additional customers and related residential developer connection fees;
- Pinelands revenues increased $0.5 million due to the base rate increase that went into effect in November 2019;
- Non-regulated revenues increased $0.3 million due to USA’s new contract to operate and maintain the Highland Park’s water and wastewater systems (for further information, see discussion under *Recent Developments-Contract Operations*) and increased supplemental services under existing contracts; and
- All other revenue categories increased $0.2 million.

Operation and Maintenance Expense

Operation and maintenance expenses for the year ended December 31, 2020 increased $2.8 million from the same period in 2019 due to the following factors:

- Variable production costs increased $1.7 million due to higher customer water consumption and higher treatment costs due to weather-impacted changes in raw water quality;
- Retirement benefit plan expenses increased $0.8 million primarily due to higher actuarially-determined retirement benefit plan service expense;
- Bad debt expense increased $0.4 million due to expected increases in future write-offs due to COVID-19; and
- All other operation and maintenance expense categories decreased $0.1 million.

Depreciation

Depreciation expense for the year ended December 31, 2020 increased $1.8 million from the same period in 2019 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the year ended December 31, 2020 increased $0.5 million from the same period in 2019 primarily due to higher revenue related taxes on increased revenues in our Middlesex system.

Other Income, net

Other Income, net for the year ended December 31, 2020 increased $1.9 million from the same period in 2019 primarily due to higher Allowance for Funds Used During Construction resulting from a higher level of capital projects in progress and lower actuarially-determined non-service expense for our employee retirement benefit plans partially offset by higher new business development costs.

Interest Expense

Interest expense for the year ended December 31, 2020 increased $0.2 million from the same period in 2019 due to higher average balance of debt outstanding partially offset by lower average interest rates on both long-term and short-term borrowings.

Income Taxes

The benefit from income taxes for the year ended December 31, 2020 increased overall by $1.0 million from the same period in 2019, primarily due to the regulatory accounting treatment of tax benefits associated with repair expenditures on tangible property owned by Middlesex, partially offset by higher pre-tax income.

Net Income and Earnings Per Share

Net income for the year ended December 31, 2020 increased $4.5 million as compared with the same period in 2019. Basic earnings per share were $2.19 and $2.02 for the year ended December 31, 2020 and 2019, respectively. Diluted earnings per share were $2.18 and $2.01 for the year ended December 31, 2020 and 2019, respectively.

Results of Operations for 2019 as Compared to 2018

	(In Millions) Years Ended December 31,					
	2019			2018		
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total
Revenues	$ 122.8	$ 11.8	$ 134.6	$ 121.7	$ 16.4	$ 138.1
Operations and maintenance expenses	60.5	7.5	68.0	58.8	12.8	71.6
Depreciation expense	16.5	0.2	16.7	14.8	0.2	15.0
Other taxes	14.5	0.2	14.4	13.9	0.4	14.3
Operating income	31.6	3.9	35.5	34.2	3.0	37.2
Other income (expense), net	2.8	(0.3)	2.5	2.9	0.1	3.0
Interest expense	7.2	0.1	7.3	6.7	0.1	6.8
Income taxes	(4.4)	1.2	(3.2)	(0.1)	1.0	0.9
Net income	$ 31.6	$ 2.3	$ 33.9	$ 30.5	$ 2.0	$ 32.5

Operating Revenues

Operating revenues for the year ended December 31, 2019 decreased $3.5 million from the same period in 2018. This decrease was related to the following factors:

- Middlesex System total revenues remained consistent with the same period in 2018 due to the following:

  - o Reduced water consumption related to lower demand from our industrial and contract customers, resulting in reduced revenues of $1.2 million; and
  - o An NJBPU-approved base rate increase, implemented in April 2018, resulted in higher revenues of $1.2 million;
- Tidewater System revenues increased $1.0 million primarily due to additional customers, but was mitigated by reduced base tariff rates as approved by the DEPSC in March 2019. The lower rate was prompted by the lower corporate income tax rate enacted under the Tax Act. There is a corresponding decrease in income tax expense; and
- Non-regulated revenues decreased $4.6 million, primarily due to changes resulting from USA-PA's new 10-year contract with Perth Amboy. Under the new contract, effective January 1, 2019, USA-PA has direct management control for wastewater services, for which USA-PA is compensated. Under the prior contract, USA-PA utilized, and was compensated for, subcontracted wastewater services. Elimination of these subcontracted wastewater services resulted in a related decrease in operations and maintenance expense along with an increase in operating margin; and
- All other operating revenue categories increased $0.1 million.

Operation and Maintenance Expense

Operation and maintenance expenses for the year ended December 31, 2019 decreased $3.6 million from the same period in 2018, primarily related to the following factors:

- Operation and maintenance expenses in our non-regulated subsidiaries decreased $5.2 million, primarily due to our new Perth Amboy operating contract, effective January 1, 2019, under which USA-PA no longer incurs sub-contractor fees for wastewater services. This results in a related decrease in operating revenues along with an increase in operating margin;
- Retirement benefit plan expenses decreased $0.4 million primarily due to lower actuarially-determined retirement benefit plan service expense;
- Labor costs increased $2.1 million due to increased headcount, increased average labor rates and payments relative to certain retiring employees; and
- All other operation and maintenance expense categories decreased $0.1 million.

Depreciation

Depreciation expense for the year ended December 31, 2019 increased $1.7 million from the same period in 2018 due to a higher level of utility plant in service.

Other Taxes

Other taxes for the year ended December 31, 2019 increased $0.1 million from the same period in 2018 primarily due to higher payroll taxes offset by lower revenue related taxes on lower revenues in our Middlesex system.

Other Income, net

Other Income, net for the year ended December 31, 2019 decreased $0.5 million from the same period in 2018, primarily due to higher actuarially-determined non-service expense for our employee retirement benefit plans, White Marsh contract compliance costs, TESI business development costs and the sale of wastewater franchise rights by our TESI subsidiary in 2018. These decreases were partially offset by higher Allowance for Funds Used During Construction resulting from a higher level of capital construction projects in progress.

Interest Charges

Interest charges for the year ended December 31, 2019 increased $0.5 million from the same period in 2018 due to higher average debt outstanding in 2019 as compared to 2018 partially offset by lower interest assessment from the IRS examination of the Company's federal income tax returns.

Income Taxes

Income taxes for year ended December 31, 2019 decreased $4.1 million from the same period in 2018, primarily due to lower pre-tax income and the regulatory accounting treatment of tax benefits associated with repair expenditures on tangible property owned by Middlesex. In addition, Tidewater's effective income tax rate was decreased in March 2019, reflecting the rate reduction approved by the DEPSC to reflect the lower corporate income tax rate resulting from implementation of the 2017 Tax Act. This has resulted in a corresponding decrease in operating revenues.

Net Income and Earnings Per Share

Net income for the year ended December 31, 2019 increased $1.4 million as compared with the same period in 2018. Basic earnings per share were $2.02 and $1.97 for the years ended December 31, 2019 and 2018, respectively. Diluted earnings per share were $2.01 and $1.96 for the years ended December 31, 2019 and 2018, respectively.

Liquidity and Capital Resources

Cash Flows from Operating Activities

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

For the year ended December 31, 2020, cash flows from operating activities increased $17.3 million to $53.4 million. The increase in cash flows from operating activities primarily resulted from reduced income tax payments, timing of vendor payments and higher net income.

Increases in certain operating costs impact our liquidity and capital resources. We continually monitor the need for timely rate filing to minimize the lag between the time we experience increased operating costs and capital expenditures and the time we receive appropriate rate relief. There can be no assurances however that our regulated subsidiaries' respective utility commissions will approve base water and/or wastewater rate increase requests in whole or in part or when the decisions will be rendered.

Cash Flows from Investing Activities

For the year ended December 31, 2020, cash flows used in investing activities increased $16.5 million to $105.6 million, which was attributable to higher utility plant expenditures.

For further discussion on the Company's future capital expenditures and expected funding sources, see *"Capital Expenditures and Commitments"* below.

Cash Flows from Financing Activities

For the year ended December 31, 2020, cash flows provided by financing activities decreased $77.7 million to $16.2 million. The decrease in cash flows provided by financing activities is due to net lower proceeds from the issuance of long-term debt and common stock and a reduction in net short-term bank borrowings.

For further discussion on the Company's short-term and long-term debt, see "*Sources of Liquidity*" below.

Capital Expenditures and Commitments

To fund our capital program, we use internally generated funds, short-term and long-term debt borrowings, proceeds from sales of common stock under the Investment Plan and, when market conditions are favorable, proceeds from sales to the public of our common stock.

The table below summarizes our estimated capital expenditures for the years 2021-2023.

	(Millions)			
	2021	2022	2023	2021-2023
Distribution/Network System	59	60	66	$ 185
Production System	66	26	10	102
Information Technolgy (IT) Systems	1	4	2	7
Other	8	7	5	20
Total Estimated Capital Expenditures	$ 134	$ 97	$ 83	$ 314

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

- **Distribution/Network System -** Projects associated with replacement, installation and relocation of water mains and service lines and wastewater collection systems, construction of water storage tanks, installation and replacement of hydrants, meters and meter pits and our RENEW Program. RENEW is our ongoing initiative to replace water mains in the Middlesex System. In connection with our RENEW Program, we expect to spend approximately $11 million in 2021, $13 million in 2022 and $11 million in 2023.
- **Production System -** Projects associated with our water production and water/wastewater treatment plants, including $18 million of expenditures in 2021 for the upgrade of the Carl J. Olsen (CJO) water treatment plant, $38 million of expenditures between 2021 and 2022 for wellfield treatment upgrades in our Middlesex System and $14 million of expenditures between 2021 and 2022 for construction of a new replacement wastewater treatment plant in Milton, Delaware.
- **IT Systems -** Further upgrade of our enterprise resource planning system and hardware and software purchases for our other IT systems.
- **Other -** Purchase of transportation equipment, tools, furniture, laboratory equipment, security systems and other general infrastructure needs including improvements to our operations center in Iselin, New Jersey.

The actual amount and timing of capital expenditures is dependent on the need for replacement of existing infrastructure, customer growth, residential new home construction and sales, project scheduling and continued refinement of project scope and costs and could be impacted if the effects of the COVID-19 pandemic continue for an extended period of time.

To pay for our capital program in 2021, we plan on utilizing some or all of the following:

- Internally generated funds;
- Short-term borrowings, as needed, through $110 million of available lines of credit with several financial institutions. As of December 31, 2020, there was $2.0 million borrowed under these lines (see discussion under "*Sources of Liquidity-Short-term Debt*" below);
- Proceeds from the Delaware State Revolving Fund (SRF). SRF programs provide low cost financing for projects that meet certain water quality and system improvement benchmarks (see discussion under "*Sources of Liquidity-Long-term Debt*" below);
- Remaining proceeds from the issuance and sale of FMBs through the New Jersey Economic Development Authority (NJEDA) in August 2019 (see discussion under "*Sources of Liquidity-Long-term Debt*" below);
- Proceeds from the sale and issuance of FMBs in private placement offerings and/or through the NJEDA;
- Proceeds from the Investment Plan (see discussion under "*Sources of Liquidity-Common Stock*" below); and
- Proceeds from a common stock sale (see discussion under "*Sources of Liquidity-Common Stock*" below).

Sources of Liquidity

Short-term Debt. In January 2021, the Company reduced its' available lines of credit from $140 million to $110 million. The outstanding borrowings under the credit lines at December 31, 2020 were $2.0 million, at a weighted average interest rate of 1.04%.

The weighted average daily amounts of borrowings outstanding under the Company's credit lines and the weighted average interest rates on those amounts were $28.3 million and $52.4 million at 1.55% and 3.33% for the years ended December 31, 2020 and 2019, respectively.

Long-term Debt. Subject to regulatory approval, the Company periodically issues long-term debt to fund its investments in utility plant. To the extent possible, the Company finances qualifying capital projects under SRF loan programs in New Jersey and Delaware. These government programs provide financing at interest rates that are typically below rates available in the broader financial markets. A portion of the borrowings under the New Jersey SRF is interest-free. Under the New Jersey SRF program, borrowers first enter into a construction loan agreement with the New Jersey Infrastructure Bank (NJIB) at a below market interest rate. The interest rate on the Company's current construction loan borrowings is zero percent (0%). When construction on the qualifying project is substantially complete, NJIB will coordinate the conversion of the construction loan into a long-term securitized loan with a portion of the principal balance having a stated interest rate of zero percent (0%) and a portion of the principal balance at a market interest rate at the time of closing using the credit rating of the State of New Jersey. The term of the long-term loans currently offered through the NJIB is up to thirty years.

The NJIB generally schedules its long-term debt financings in May and November. Middlesex currently has two projects that are in the construction loan phase of the New Jersey SRF program as follows:

1) In April 2018, the NJBPU approved Middlesex's request to participate in the NJIB loan program to fund the construction of a 4.5 mile large-diameter transmission pipeline from the Carl J. Olsen water treatment plant in Edison, New Jersey and interconnect with our distribution system. Middlesex closed on a $43.5 million NJIB interest-free construction loan in August 2018. Through December 31, 2020, Middlesex has drawn a total of $41.9 million and expects to draw any remaining funding requests on this construction loan in the first quarter of 2021.

2) In March 2018, the NJBPU approved Middlesex's request to participate in the NJIB loan program to fund the 2018 RENEW Program, which is an ongoing initiative to eliminate unlined water distribution mains in the Middlesex system. Middlesex closed on an $8.7 million NJIB construction loan in September 2018 and completed withdrawal of the proceeds in October 2019.

The Company expects that the large-diameter transmission pipeline and the 2018 RENEW construction loans will be included in the NJIB May 2021 long-term debt financing program.

In September 2018, the NJIB announced changes to the SRF program for project funding priority ranking, the proportions of interest free loans and market interest rate loans and overall loan limits on interest free loan balances to investor-owned water utilities. These changes affect SRF projects for which the construction loan closes after September 2018. Under the new guidelines, the principal balance having a stated interest rate of zero percent (0%) is 25% of the loan balance with the remaining portion of 75% having a market based interest rate. This is limited to the first $10.0 million of the loan. Loan amounts above $10.0 million do not participate in the 0% rate program, but do participate at the market based interest rate. As a result of all these changes, the Company's future capital funding plan currently does not include participating in the NJIB SRF program.

In May 2020, Middlesex received approval from the NJBPU to borrow up to $100 million, in one or more private placement transactions through December 31, 2023 to help fund Middlesex's multi-year capital construction program. In November 2020, Middlesex closed on a $40.0 million private placement loan with a payment maturity date of November 2050 and an interest rate of 2.90% by issuing a FMB designated as Series 2020A.

Proceeds from this loan were used to reduce the Company’s existing short-term borrowings under its lines of credit and for the Company’s 2020 capital program.

In order to help ensure adherence to its comprehensive financing plan, Middlesex received approval from the NJBPU in February 2019 to issue and sell up to $140 million of FMBs through the NJEDA in one or more transactions through December 31, 2022. Because the interest paid to the bondholders is exempt from federal and New Jersey income taxes, the interest rate on debt issued through the NJEDA is generally lower than otherwise achievable in the traditional taxable corporate bond market. However, the interest received by the bondholder is subject to the Alternative Minimum Tax.

In August 2019, Middlesex priced and closed on a NJEDA debt financing transaction of $53.7 million by issuing FMBs designated as Series 2019A ($32.5 million at coupon interest rate of 4.0%) and Series 2019B ($21.2 million at coupon interest rate of 5.0%). The proceeds, including an issuance premium of $7.1 million, are being used to finance several projects under the Water For Tomorrow capital program initiated by the Company to upgrade and replace aging water utility infrastructure. The total proceeds of $60.8 million, initially recorded as Restricted Cash on the balance sheet, are held in escrow by a bond trustee and are drawn down by requisition for the qualifying projects. Through December 31, 2020, Middlesex has drawn a total of $55.1 million and currently expects to draw the remaining $5.7 million of proceeds, currently included in Restricted Cash, through the second quarter of 2021.

In March 2018, the DEPSC approved Tidewater’s request to borrow up to $0.9 million under the Delaware SRF program to fund the replacement of an entire water distribution system of a small Delaware community. Tidewater closed on the SRF loan in May 2018. In April 2019, Tidewater received approval from the DEPSC to increase the borrowing to $1.7 million based on revised project cost estimates. Tidewater closed on the additional SRF loan in October 2019 and completed withdrawal of the proceeds in April 2020.

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

Common Stock. In November 2019, the Company sold and issued 0.8 million shares of common stock in a public offering priced at $60.50 per share. The net proceeds of $43.7 million were used for general corporate purposes including repayment of a portion of the Company’s short-term debt outstanding.

The Company raised approximately $1.2 million through the issuance of shares under the Investment Plan during 2020. In 2019, the Company raised approximately $12.7 million primarily through a limited duration six-month share purchase discount feature of the Investment Plan. The 0.2 million share purchase limit was reached and the discount offer ceased prior to the original ending date.

In order to fully fund the ongoing large investment program in our utility plant infrastructure and maintain a balanced capital structure for a regulated water utility, Middlesex may offer for sale additional shares of its common stock. The amount, the timing and the sales method of the common stock is dependent on the timing of the construction expenditures, the level of additional debt financing and financial market conditions. As approved by the NJBPU, the Company is authorized to issue and sell up to 0.7 million shares of its common stock in one or more transactions through December 31, 2022.

Contractual Obligations

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

The table below presents our known contractual obligations for the periods specified as of December 31, 2020.

	Payment Due by Period (Millions of Dollars)				
	Total	Less than 1 Year	2-3Years	4-5 Years	More than 5 Years
Long-term Debt	$ 277.2	$ 7.3	$ 22.9	$ 11.6	$ 235.4
Notes Payable	2.0	2.0	-	-	-
Interest on Long-term Debt	185.6	8.3	15.7	13.8	147.8
Purchased Water Contracts	25.8	6.5	12.6	6.2	0.5
Commercial Office Leases	7.7	0.8	1.6	1.7	3.6
Total	$ 498.3	$ 24.9	$ 52.8	$ 33.3	$ 387.3

The table above does not reflect any anticipated cash payments for retirement benefit plan obligations. The effect on the timing and amount of these payments resulting from potential changes in actuarial assumptions and returns on plan assets cannot be estimated. In 2020, the Company contributed $4.5 million to its retirement benefit plans and expects to contribute approximately $4.2 million in 2021.

We do not currently have, nor have we ever had, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements, or for other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts.

Critical Accounting Policies and Estimates

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

Our critical accounting policies are set forth below.

Regulatory Accounting

We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for approximately 91% of Operating Revenues and 99% of Total Assets, are subject to regulation in the states in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities’ rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance in the Financial Accounting Standards Board Accounting Standards Codification Topic 980 *Regulated Operations* (Regulatory Accounting).

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

Revenues

The Company's revenues are primarily generated from regulated tariff-based sales of water and wastewater services and non-regulated operation and maintenance contracts for services on water and wastewater systems owned by others. Revenue from contracts with customers is recognized when control of a promised good or service is transferred to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company's regulated revenue from contracts with customers is derived from tariff-based sales that result from the obligation to provide water and wastewater services to residential, industrial, commercial, fire-protection and wholesale customers. The Company's residential customers are billed quarterly while most of the Company's industrial, commercial, fire-protection and wholesale customers are billed monthly. Payments by customers are due between 15 to 30 days after the invoice date. The Company recognizes revenue as the water and wastewater services are delivered to customers as well as records unbilled revenues estimated from the last meter reading date to the end of the accounting period utilizing factors such as historical customer data, regional weather indicators and general economic conditions in its service territories. Unearned Revenues and Advance Service Fees include fixed service charge billings in advance to Tidewater customers that are recognized as service is provided to the customer.

Non-regulated service contract revenues consist of base service fees as well as fees for additional billable services provided to customers. Fees are billed monthly and are due within 30 days after the invoice date. The Company considers the amounts billed to represent the value of these services provided to customers. These contracts expire at various times through June 2030 and thus contain remaining performance obligations for which the Company expects to recognize revenue in the future. These contracts also contain customary termination provisions.

Almost all of the amounts included in operating revenues are from contracts with customers.

Retirement Benefit Plans

We maintain a noncontributory defined benefit pension plan (Pension Plan) which covers all currently active employees who were hired prior to April 1, 2007. In addition, the Company maintains an unfunded supplemental plan for its executive officers.

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

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

The allocation by asset category of retirement benefit plan assets at December 31, 2020 and 2019 is as follows:

	Pension Plan			Other Benefits Plan		
Asset Category	**2020**	**2019**	**Target**	**2020**	**2019**	**Target**
Equity Securities	60.6%	61.5%	55%	62.3%	60.0%	43%
Debt Securities	37.5%	36.5%	38%	31.0%	33.0%	50%
Cash	1.2%	0.5%	2%	6.7%	7.0%	2%
Real Estate/Commodities	0.7%	1.5%	5%	0.0%	0.0%	5%
Total	100.0%	100.0%		100.0%	100.0%	

The primary assumptions used for determining future retirement benefit plans' obligations and costs are as follows:

- **Discount Rate** - calculated based on market rates for long-term, high-quality corporate bonds specific to the expected duration of our Pension Plan and Other Benefits Plan's liabilities;
- **Compensation Increase** - based on management projected future employee compensation increases;
- **Long-Term Rate of Return** - determined based on expected returns from our asset allocation for our Pension Plan and Other Benefits Plan assets;
- **Mortality** - The Company utilizes the Society of Actuaries' mortality table (Pri-2012) (Mortality Improvement Scale MP2020 for the 2020 valuation); and
- **Healthcare Cost Trend Rate** - based on management projected future healthcare costs.

The discount rate, compensation increase rate and long-term rate of return used to determine future obligations of our retirement benefit plans as of December 31, 2020 are as follows:

	Pension Plan	Other Benefits Plan
Discount Rate	2.37%	2.37%
Compensation Increase	3.00%	3.00%
Long-term Rate of Return	7.00%	7.00%

For the 2020 valuation, costs and obligations for our Other Benefits Plan assumed an 7.5% annual rate of increase in the per capita cost of covered healthcare benefits in 2021 with the annual rate of increase declining 0.5% per year for 2022-2027, resulting in an annual rate of increase in the per capita cost of covered healthcare benefits of 4.5% by year 2027.

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

Pension Plan

Actuarial Assumptions	Estimated Increase/ (Decrease) on PBO (000s)	Estimated Increase/ (Decrease) on Expense (000s)
Discount Rate 1% Increase	$ (16,249)	$ (1,385)
Discount Rate 1% Decrease	20,685	1,672

Other Benefits Plan

Actuarial Assumptions	Estimated Increase/ (Decrease) on PBO (000s)	Estimated Increase/ (Decrease) on Expense (000s)
Discount Rate 1% Increase	$ (8,411)	$ (955)
Discount Rate 1% Decrease	11,012	1,202
Healthcare Cost Trend Rate 1% Increase	8,845	1,576
Healthcare Cost Trend Rate 1% Decrease	(6,941)	(1,234)

Recent Accounting Standards

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

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

We are exposed to market risk associated with changes in interest rates and commodity prices. The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, variable rate 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 2021 to 2059. Over the next twelve months, approximately $7.3 million of the current portion of existing long-term debt instruments will mature. The Company manages its interest rate risk related to existing variable-rate short-term debt by limiting our variable rate exposure. Applying a hypothetical change in the rate of interest charged by 10% on those fixed- and variable-rate borrowings would not have a material effect on our earnings.

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

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Middlesex Water Company:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets and consolidated statements of capital stock and long-term debt of Middlesex Water Company (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Baker Tilly US, LLP
Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)

We have served as the Company's auditor since 2006.

Lancaster, Pennsylvania

February 25, 2021

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

	Years Ended December 31,		
	2020	**2019**	**2018**
Operating Revenues	**$ 141,592**	$ 134,598	$ 138,077
Operating Expenses:			
Operations and Maintenance	**70,796**	67,980	71,570
Depreciation	**18,472**	16,716	15,037
Other Taxes	**14,904**	14,382	14,328
Total Operating Expenses	**104,172**	99,078	100,935
Operating Income	**37,420**	35,520	37,142
Other Income (Expense):			
Allowance for Funds Used During Construction	**4,016**	3,146	1,362
Other Income (Expense), net	**363**	(654)	1,630
Total Other Income, net	**4,379**	2,492	2,992
Interest Charges	**7,493**	7,264	6,758
Income before Income Taxes	**34,306**	30,748	33,376
Income Taxes	**(4,119)**	(3,140)	924
Net Income	**38,425**	33,888	32,452
Preferred Stock Dividend Requirements	**120**	132	144
Earnings Applicable to Common Stock	**$ 38,305**	$ 33,756	$ 32,308
Earnings per share of Common Stock:			
Basic	**$ 2.19**	$ 2.02	$ 1.97
Diluted	**$ 2.18**	$ 2.01	$ 1.96
Average Number of			
Common Shares Outstanding :			
Basic	**17,459**	16,685	16,384
Diluted	**17,574**	16,829	16,540

See Notes to Consolidated Financial Statements.

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MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands except per share amounts)

ASSETS		December 31, 2020	December 31, 2019
UTILITY PLANT:	Water Production	$ **168,080**	$ 160,870
	Transmission and Distribution	**648,763**	556,517
	General	**85,056**	83,043
	Construction Work in Progress	**80,055**	75,520
	TOTAL	**981,954**	875,950
	Less Accumulated Depreciation	**185,356**	170,220
	UTILITY PLANT - NET	**796,598**	705,730
CURRENT ASSETS:	Cash and Cash Equivalents	**4,491**	2,230
	Accounts Receivable, net	**14,569**	11,908
	Unbilled Revenues	**7,065**	7,183
	Materials and Supplies (at average cost)	**5,112**	5,445
	Prepayments	**2,886**	2,367
	TOTAL CURRENT ASSETS	**34,123**	29,133
OTHER ASSETS:	Operating Lease Right of Use Asset	**5,209**	5,944
	Preliminary Survey and Investigation Charges	**5,192**	2,054
	Regulatory Assets	**118,144**	110,479
	Restricted Cash	**5,913**	44,269
	Non-utility Assets - Net	**11,207**	10,370
	Other	**84**	1,899
	TOTAL OTHER ASSETS	**145,749**	175,015
	TOTAL ASSETS	$ **976,470**	$ 909,878
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:	Common Stock, No Par Value	$ **217,451**	$ 215,125
	Retained Earnings	**128,757**	108,667
	TOTAL COMMON EQUITY	**346,208**	323,792
	Preferred Stock	**2,084**	2,084
	Long-term Debt	**273,244**	230,777
	TOTAL CAPITALIZATION	**621,536**	556,653
CURRENT LIABILITIES:	Current Portion of Long-term Debt	**7,255**	7,178
	Notes Payable	**2,000**	20,000
	Accounts Payable	**30,443**	23,306
	Accrued Taxes	**10,138**	7,635
	Accrued Interest	**2,137**	2,031
	Unearned Revenues and Advanced Service Fees	**1,255**	1,211
	Other	**3,620**	3,620
	TOTAL CURRENT LIABILITIES	**56,848**	64,981
COMMITMENTS AND CONTINGENT LIABILITIES (Note 4)			
OTHER LIABILITIES:	Customer Advances for Construction	**23,404**	23,905
	Lease Obligations	**5,042**	5,732
	Accumulated Deferred Income Taxes	**61,297**	54,408
	Employee Benefit Plans	**34,426**	34,671
	Regulatory Liabilities	**60,792**	69,152
	Other	**1,135**	2,546
	TOTAL OTHER LIABILITIES	**186,096**	190,414
CONTRIBUTIONS IN AID OF CONSTRUCTION		**111,990**	97,830
	TOTAL CAPITALIZATION AND LIABILITIES	$ **976,470**	$ 909,878

See Notes to Consolidated Financial Statements.

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

	Years Ended December 31, 2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	**$ 38,425**	$ 33,888	$ 32,452
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	**20,838**	17,232	15,780
Provision for Deferred Income Taxes	**(13,490)**	(11,719)	(8,724)
Equity Portion of Allowance for Funds Used During Construction (AFUDC)	**(2,503)**	(1,997)	(919)
Cash Surrender Value of Life Insurance	**(391)**	(252)	27
Stock Compensation Expense	**1,096**	637	1,084
Changes in Assets and Liabilities:			
Accounts Receivable	**(2,661)**	(146)	(977)
Unbilled Revenues	**118**	110	(294)
Materials & Supplies	**333**	(34)	(1,293)
Prepayments	**(519)**	277	(236)
Accounts Payable	**7,137**	3,981	5,396
Accrued Taxes	**2,503**	(6,595)	2,812
Accrued Interest	**106**	742	196
Employee Benefit Plans	**(1,377)**	(1,112)	(2,114)
Unearned Revenue & Advanced Service Fees	**44**	175	85
Other Assets and Liabilities	**3,696**	866	2,589
NET CASH PROVIDED BY OPERATING ACTIVITIES	**53,355**	36,053	45,864
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility Plant Expenditures, Including AFUDC of $1,513 in 2020, $1,149 in 2019 and $443 in 2018	**(105,619)**	(89,125)	(72,094)
NET CASH USED IN INVESTING ACTIVITIES	**(105,619)**	(89,125)	(72,094)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of Long-term Debt	**(7,472)**	(7,343)	(7,024)
Proceeds from Issuance of Long-term Debt	**50,316**	78,967	22,076
Proceeds from Premium Issuance of Long-term Debt	**-**	7,083	-
Net Short-term Bank Borrowings	**(18,000)**	(28,500)	20,500
Deferred Debt Issuance Expense	**(148)**	(769)	(880)
Common Stock Issuance Expense	**(37)**	(357)	-
Proceeds from Issuance of Common Stock	**1,230**	56,784	1,150
Payment of Common Dividends	**(18,178)**	(16,165)	(14,930)
Payment of Preferred Dividends	**(120)**	(132)	(144)
Construction Advances and Contributions-Net	**8,578**	4,342	4,746
NET CASH PROVIDED BY FINANCING ACTIVITIES	**16,169**	93,910	25,494
NET CHANGES IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(36,095)**	40,838	(736)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	**46,499**	5,661	6,397
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	**$ 10,404**	$ 46,499	$ 5,661
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:			
Utility Plant received as Construction Advances and Contributions	**$ 5,080**	$ 7,770	$ 3,835
Long-term Debt Deobligation	**$ 258**	$ 130	$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:			
Cash Paid During the Year for:			
Interest	**$ 7,644**	$ 6,938	$ 6,113
Interest Capitalized	**$ 1,513**	$ 1,149	$ 443
Income Taxes	**$ 2,509**	$ 10,339	$ 4,689

See Notes to Consolidated Financial Statements.

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

		December 31, 2020		December 31, 2019
Common Stock, No Par Value				
Shares Authorized - 40,000				
Shares Outstanding - 2020 - 17,473; 2019 - 17,434	$	**217,451**	$	215,125
Retained Earnings		**128,757**		108,667
TOTAL COMMON EQUITY	$	**346,208**	$	323,792
Cumulative Preferred Stock, No Par Value:				
Shares Authorized - 120				
Shares Outstanding - 20				
Convertible:				
Shares Outstanding, $7.00 Series - 10		**1,005**		1,005
Nonredeemable:				
Shares Outstanding, $7.00 Series - 1		**79**		79
Shares Outstanding, $4.75 Series - 10		**1,000**		1,000
TOTAL PREFERRED STOCK	$	**2,084**	$	2,084
Long-term Debt:				
8.05%, Amortizing Secured Note, due December 20, 2021	$	**336**	$	643
6.25%, Amortizing Secured Note, due May 19, 2028		**3,115**		3,535
6.44%, Amortizing Secured Note, due August 25, 2030		**2,707**		2,987
6.46%, Amortizing Secured Note, due September 19, 2031		**2,987**		3,267
4.22%, State Revolving Trust Note, due December 31, 2022		**119**		175
3.60%, State Revolving Trust Note, due May 1, 2025		**1,170**		1,405
3.30% State Revolving Trust Note, due March 1, 2026		**266**		309
3.49%, State Revolving Trust Note, due January 25, 2027		**307**		349
4.03%, State Revolving Trust Note, due December 1, 2026		**389**		446
4.00% to 5.00%, State Revolving Trust Bond, due August 1, 2021		**-**		60
0.00%, State Revolving Fund Bond, due August 1, 2021		**11**		50
3.64%, State Revolving Trust Note, due July 1, 2028		**192**		214
3.64%, State Revolving Trust Note, due January 1, 2028		**62**		69
3.45%, State Revolving Trust Note, due August 1, 2031		**793**		851
6.59%, Amortizing Secured Note, due April 20, 2029		**2,907**		3,255
7.05%, Amortizing Secured Note, due January 20, 2030		**2,271**		2,521
5.69%, Amortizing Secured Note, due January 20, 2030		**4,658**		5,171
4.45%, Amortizing Secured Note, due April 20, 2040		**8,506**		8,946
4.47%, Amortizing Secured Note, due April 20, 2040		**3,156**		3,320
3.75%, State Revolving Trust Note, due July 1, 2031		**1,699**		1,829
2.00%, State Revolving Trust Note, due February 1, 2036		**961**		1,013
2.00%, State Revolving Trust Note, due November 1, 2038		**1,543**		1,309
3.75%, State Revolving Trust Note, due November 30, 2030		**883**		955
0.00% Construction Loans		**50,536**		40,467
First Mortgage Bonds:				
0.00%, Series BB, due August 1, 2021		**119**		241
4.00% to 5.00%, Series CC, due August 1, 2021		**164**		331
0.00%, Series EE, due August 1, 2023		**1,036**		1,456
3.00% to 5.50%, Series FF, due August 1, 2024		**1,870**		2,440
0.00%, Series GG, due August 1, 2026		**541**		632
4.00% to 5.00%, Series HH, due August 1, 2026		**620**		710
0.00%, Series II, due August 1, 2024		**338**		429
3.40% to 5.00%, Series JJ, due August 1, 2027		**500**		588
0.00%, Series KK, due August 1, 2028		**719**		807
5.00% to 5.50%, Series LL, due August 1, 2028		**846**		928
0.00%, Series MM, due August 1, 2030		**937**		1,037
3.00% to 4.375%, Series NN, due August 1, 2030		**1,105**		1,190
0.00%, Series OO, due August 1, 2031		**1,656**		1,806
2.00% to 5.00%, Series PP, due August 1, 2031		**600**		660
5.00%, Series QQ, due October 1, 2023		**9,915**		9,915

3.80%, Series RR, due October 1, 2038	**22,500**	22,500
4.25%, Series SS, due October 1, 2047	**23,000**	23,000
0.00%, Series TT, due August 1, 2032	**1,806**	1,957
3.00% to 3.25%, Series UU, due August 1, 2032	**705**	755
0.00%, Series VV, due August 1, 2033	**1,861**	2,004
3.00% to 5.00%, Series WW, due August 1, 2033	**715**	755
0.00%, Series XX, due August 1, 2047	**10,247**	10,627
3.00% to 5.00%, Series YY, due August 1, 2047	**3,710**	3,785
0.00%, Series 2018A, due August 1, 2047	**6,246**	6,678
3.00%-5.00%, Series 2018B, due August 1, 2047	**2,211**	2,320
4.00%, Series 2019A, due August 1, 2059	**32,500**	32,500
5.00%, Series 2019B, due August 1, 2059	**21,200**	21,200
2.90%, Series 2020A, due November 18, 2050	**40,000**	-
SUBTOTAL LONG-TERM DEBT	**277,241**	234,397
Add: Premium on Issuance of Long-term Debt	**7,669**	8,064
Less: Unamortized Debt Expense	**(4,411)**	(4,506)
Less: Current Portion of Long-term Debt	**(7,255)**	(7,178)
TOTAL LONG-TERM DEBT	**$ 273,244**	$ 230,777

See Notes to Consolidated Financial Statements.

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

	Common Stock Shares		Common Stock Amount		Retained Earnings		Total
Balance at January 1, 2018	16,352	$	155,120	$	74,055	$	229,175
Net Income	-		-		32,452		32,452
Dividend Reinvestment & Common Stock Purchase Plan	27		1,150		-		1,150
Restricted Stock Award, Net - Employees	22		975		-		975
Stock Award - Board Of Directors	4		147		-		147
Shares Forfeited	(2)		(38)		-		(38)
Cash Dividends on Common Stock ($0.911 per share)	-		-		(14,930)		(14,930)
Cash Dividends on Preferred Stock	-		-		(144)		(144)
Balance at December 31, 2018	16,403	$	157,354	$	91,433	$	248,787
Net Income	-		-		33,888		33,888
Dividend Reinvestment & Common Stock Purchase Plan	226		12,738		-		12,738
Restricted Stock Award, Net - Employees	18		907		-		907
Stock Award - Board Of Directors	4		196		-		196
Shares Forefeited	(18)		(466)		-		(466)
Conversion of $8.00 Convertible Preferred Stock	41		350		-		350
Issuance of Common Stock	760		44,046		-		44,046
Cash Dividends on Common Stock ($0.976 per share)	-		-		(16,165)		(16,165)
Cash Dividends on Preferred Stock	-		-		(132)		(132)
Common Stock Expenses	-		-		(357)		(357)
Balance at December 31, 2019	17,434	$	$ 215,125	$	108,667	$	323,792
Net Income	-		-		38,425		38,425
Dividend Reinvestment & Common Stock Purchase Plan	19		1,230		-		1,230
Restricted Stock Award, Net - Employees	16		851		-		851
Stock Award - Board of Directors	4		245		-		245
Cash Dividends on Common Stock ($1.041 per share)	-		-		(18,178)		(18,178)
Cash Dividends on Preferred Stock	-		-		(120)		(120)
Common Stock Expenses	-		-		(37)		(37)
Balance at December 31, 2020	**17,473**	**$**	**217,451**	**$**	**128,757**	**$**	**346,208**

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Middlesex Water Company has operated as a water utility in New Jersey since 1897 and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate New Jersey municipal water, wastewater and storm water systems under contract and provide unregulated water and wastewater services in New Jersey and Delaware through our subsidiaries. Our rates charged to customers for water and wastewater services, the quality of services we provide and certain other matters are regulated in New Jersey, Delaware and Pennsylvania by the New Jersey Board of Public Utilities (NJBPU), Delaware Public Service Commission (DEPSC) and Pennsylvania Public Utilities Commission (PAPUC), respectively. Our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

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

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

(d) Regulatory Accounting - We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for 91% of Operating Revenues and 99% of Total Assets, are subject to regulation in the state in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance provided in Accounting Standards Codification (ASC) 980, *Regulated Operations*.

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

(e) Retirement Benefit Plans - We maintain a noncontributory defined benefit pension plan (Pension Plan), which covers all active employees who were hired prior to April 1, 2007, as well as a defined contribution plan in which all employees are eligible to participate. In addition, the Company maintains an unfunded supplemental plan for a limited number of its executive officers. The Company has a retirement benefit plan other than pensions

(Other Benefits Plan) for substantially all of its retired employees. Employees hired after March 31, 2007 are not eligible to participate in this plan. Coverage includes healthcare and life insurance.

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

(f) Utility Plant - Utility Plant is stated at original cost as defined for regulatory purposes. Property accounts are charged with the cost of betterments and major replacements of property. Cost includes direct material, labor and indirect charges for pension benefits and payroll taxes. The cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties is charged to the appropriate expense accounts. At December 31, 2020, there was no event or change in circumstance that would indicate that the carrying amount of any long-lived asset was not recoverable.

(g) Depreciation - Depreciation is computed by each regulated member of the Company utilizing a rate approved by the applicable regulatory authority. The accumulated provision for depreciation is charged with the cost of property retired, less salvage. The following table sets forth the range of depreciation rates for the major utility plant categories used to calculate depreciation for the years ended December 31, 2020, 2019 and 2018. These rates have been approved by the NJBPU, DEPSC or PAPUC:

Source of Supply	1.15% - 3.44%	Transmission and Distribution (T&D):	
Pumping	2.00% - 5.39%	T&D – Mains	1.10% - 3.13%
Water Treatment	1.65% - 7.09%	T&D – Services	2.12% - 3.16%
General Plant	2.08% - 17.84%	T&D – Other	1.61% - 4.63%
Wastewater Collection	1.42% - 1.81%		

Non-regulated fixed assets consist primarily of office buildings, furniture and fixtures, and transportation equipment. These assets are recorded at original cost and depreciation is calculated based on the estimated useful lives, ranging from 3 to 42 years.

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

(i) Customers' Advances for Construction (CAC) - Utility plant and/or cash advances are provided to the Company by customers, real estate developers and builders in order to extend utility service to their properties. These transactions are recorded as CAC. Contractual Refunds of CACs in the form of cash are made by the Company and are based on either additional operating revenues generated from new customers or as new customers are connected to the respective system. After all refunds are made and/or contract terms have expired, any remaining balance is transferred to Contributions in Aid of Construction.

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

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

(j) Allowance for Funds Used During Construction (AFUDC) - Middlesex and its regulated subsidiaries capitalize AFUDC, which represents the cost of financing projects during construction. AFUDC is added to the construction costs of individual projects exceeding specific cost and construction period thresholds established for each company and then depreciated along with the rest of the utility plant's costs over its estimated useful life. AFUDC is calculated using each company's weighted cost of debt and equity as approved in their most recent respective regulatory rate order. The AFUDC rates for the years ended December 31, 2020, 2019 and 2018 for Middlesex and Tidewater are as follows:

	2020	2019	2018
Middlesex	6.50%	6.50%	6.50%
Tidewater	7.92%	7.92%	7.92%

(k) Accounts Receivable - We record bad debt expense based on a variety of factors such as our customers' payment history, current economic conditions and trending reasonable and supportable forecasts on expected collectability of accounts receivable. The allowance for doubtful accounts was $2.1 million and $1.4 million as of December 31, 2020 and 2019, respectively. For the years ended December 31, 2020, 2019 and 2018, bad debt expense was $1.1 million, $1.0 million and $0.8 million, respectively. For the years ended December 31, 2020, 2019 and 2018, write-offs were $0.5 million, $0.6 million and $0.7 million, respectively. During 2020, the Company increased its allowance for doubtful accounts for expected increases in accounts receivable write-offs due to the financial impact of Novel Coronavirus (COVID-19) on customers (for further discussion of COVID-19, see *Note 1 (s), COVID-19*).

(l) Revenues - The Company's revenues are primarily generated from regulated tariff-based sales of water and wastewater services and non-regulated operation and maintenance contracts for services on water and wastewater systems owned by others. Revenue from contracts with customers is recognized when control of a promised good or service is transferred to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company's regulated revenue from contracts with customers is derived from tariff-based sales that result from the obligation to provide water and wastewater services to residential, industrial, commercial, fire-protection and wholesale customers. The Company's residential customers are billed quarterly while most of the Company's industrial, commercial, fire-protection and wholesale customers are billed monthly. Payments by customers are due between 15 to 30 days after the invoice date. The Company recognizes revenue as the water and wastewater services are delivered to customers as well as records unbilled revenues estimated from the last meter reading date to the end of the accounting period utilizing factors such as historical customer data, regional weather indicators and general economic conditions in its service territories. Unearned Revenues and Advance Service Fees include fixed service charge billings in advance to Tidewater customers that are recognized as service is provided to the customer.

Non-regulated service contract revenues consist of base service fees as well as fees for additional billable services provided to customers. Fees are billed monthly and are due within 30 days after the invoice date. The Company considers the amounts billed to represent the value of these services provided to customers. These contracts expire at various times through June 2030 and contain remaining performance obligations for which the Company expects to recognize revenue in the future. These contracts also contain customary termination provisions.

Almost all of the amounts included in operating revenues and accounts receivable are from contracts with customers. The Company records its allowance for doubtful accounts based on historical write-offs combined with an evaluation of current economic conditions within its service territories.

The Company's contracts do not contain any significant financing components.

The Company's operating revenues are comprised of the following:

	(In Thousands) Years Ended December 31, 2020	2019	2018
Regulated Tariff Sales			
Residential	$ 76,798	$ 71,487	$ 69,785
Commercial	15,448	15,198	14,844
Industrial	9,512	9,390	10,183
Fire Protection	12,374	12,291	12,099
Wholesale	15,187	14,319	14,655
Non-Regulated Contract Operations	12,130	11,773	16,374
Total Revenue from Contracts with Customers	$ 141,449	$ 134,458	$ 137,940
Other Regulated Revenues	532	393	335
Other Non-Regulated Revenues	415	404	404
Inter-segment Elimination	(804)	(657)	(602)
Total Revenue	**$ 141,592**	**$ 134,598**	**$ 138,077**

(m) Unamortized Debt Expense and Premiums on Long-Term Debt - Unamortized Debt Expense and Premiums on Long-Term Debt, included on the consolidated balance sheet in long-term debt, are amortized over the lives of the related debt issues.

(n) Income Taxes - Middlesex files a consolidated federal income tax return for the Company and income taxes are allocated based on the separate return method. Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. Deferred income taxes are provided on differences between the tax basis of assets and liabilities and the amounts at which they are carried in the consolidated financial statements. Investment tax credits have been deferred and are amortized over the estimated useful life of the related property. In the event that there are interest and penalties associated with income tax adjustments from income tax authority examinations, these amounts will be reported under interest expense and other expense, respectively. For more information on income taxes, see Note 3 – *Income Taxes*.

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

(p) Restricted Cash - Restricted cash includes cash proceeds from loan transactions entered into through government financing programs and are held in trusts for specific capital expenditures or debt service.

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

(r) Recent Accounting Pronouncements

Leases - The Financial Accounting Standards Board (the FASB) issued guidance related to leases which requires lessees to recognize a lease liability (a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis) and a right-of-use asset (an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term). The guidance became effective on January 1, 2019. The Company elected the optional transition method of adoption to apply the requirements of the standard in the period of adoption with no restatement of prior periods. The Company utilized the package of transition practical expedients provided by the new guidance, including carrying forward prior conclusions related to contracts that contain leases and lease classification. The Company also utilized the transition practical expedient permitting entities to forgo the evaluation of existing land easement arrangements to determine if they contain a lease. Land easement arrangements, or modifications to existing arrangements, entered into after adoption of this guidance will need to be evaluated to determine if they meet the definition of a lease. The adoption of this guidance resulted in the recording of a $6.7 million right-of-use asset, a $7.1 million lease liability and a $0.4 million regulatory asset on the Company's consolidated balance sheet as of January 1, 2019. For further discussion, see "*Leases*" in *Note 4 – Commitments and Contingent Liabilities*.

Credit Losses on Financial Instruments - The FASB issued guidance on the measurement of credit losses on financial instruments, including trade receivables, which requires expected credit losses to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. The new guidance became effective January 1, 2020. For the Company, this applies primarily to accounts receivable and unbilled revenue balances. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Expected credit losses on accounts receivable and unbilled revenues are based on historical write-offs combined with an evaluation of current conditions and reasonable and supportable forecasts. Customer accounts are written off when collection efforts have been exhausted.

There are no other new adopted or proposed accounting guidance that the Company is aware of that could have a material impact on the Company's consolidated financial statements.

(s) COVID-19 - On March 13, 2020, the United States declared the COVID-19 pandemic a national emergency. The ongoing impact on changing economic conditions due to COVID-19 continues to be uncertain and could affect the Company's results of operations, financial condition and liquidity in the future. While the Company's operations and capital construction program have not been significantly disrupted to date from COVID-19, we are unable to assess with certainty the impact that COVID-19 will have on our business, our customers and our vendors prospectively, due to numerous uncertainties, including the continued severity duration of the pandemic, sufficiency of the government's vaccination program and actions which could potentially be taken by federal or state governmental and/or regulatory authorities.

The NJBPU and the DEPSC have allowed for potential future recovery of COVID-19 related incremental costs through customer rates by the regulated utilities under their respective jurisdictions. Neither jurisdiction has yet to establish a timetable or definitive formal procedures for seeking cost recovery. We will continue to monitor the COVID-19 situation and evaluate its impact on the Company's business, results of operations, financial condition and liquidity.

Note 2 - Rate and Regulatory Matters

Rate Matters

Middlesex - In November 2020, Middlesex filed a petition with the NJBPU seeking approval to reset its Purchased Water Adjustment Clause (PWAC) tariff rate currently in effect to recover additional costs of $1.1 million for the purchase of treated water from a non-affiliated regulated water utility regulated by the NJBPU. A PWAC is a rate mechanism that allows for recovery of increased purchased water costs between base rate case filings. The PWAC is reset to zero once those increased costs are included in base rates. We cannot predict whether the NJBPU will ultimately approve, deny or reduce the amount of our request.

In March 2020, the NJBPU approved Middlesex's petition to reset its PWAC tariff rate to recover additional costs of $0.6 million for the purchase of treated water from a non-affiliated water utility regulated by the NJBPU. The new PWAC rate became effective on April 4, 2020.

In March 2018, Middlesex's petition to the NJBPU seeking permission to increase its base water rates was concluded, based on a negotiated settlement, resulting in an increase in annual operating revenues of $5.5 million. The approved base water rates were designed to recover increased operating costs as well as a return on invested capital in rate base of $245.5 million, based on an authorized return on common equity of 9.6%. As part of the settlement, Middlesex received approval for regulatory accounting treatment of income tax benefits associated with required adoption of tangible property regulations issued by the Internal Revenue Service. The settlement agreement allowed for a four-year amortization period for $28.7 million of deferred income tax benefits as well as prospective recognition of the income tax benefits for the immediate deduction of repair costs on tangible property. The rate increase became effective April 1, 2018.

Tidewater - Effective January 1, 2021, Tidewater increased its DEPSC-approved Distribution System Improvement Charge (DSIC) rate, which is expected to generate revenues of approximately $0.6 million annually. A DSIC is a rate-mechanism that allows water utilities to recover investments in, and generate a return on, qualifying capital improvements made between base rate proceedings.

In November 2019, Tidewater completed a $1.8 million DEPSC-approved purchase of the water utility assets of J.H. Wilkerson and Son, Inc. and transfer of the Certificate of Public Convenience and Necessity in order for Tidewater to serve the approximate 1,000 customers currently connected to eight community water systems located mostly in eastern Sussex County, Delaware. The DEPSC also authorized Tidewater to maintain the existing customer rates.

Effective March 1, 2019, Tidewater received approval from the DEPSC to reduce its rates to reflect the lower corporate income tax rate enacted by the Tax Cuts and Jobs Act of 2017 (2017 Tax Act), resulting in a 3.35% rate decrease for certain customer classes.

Pinelands - Effective November 4, 2019, Pinelands Water and Pinelands Wastewater received approval from the NJBPU to increase its base rates by $0.5 million. The increased revenues were necessitated by capital infrastructure investments both companies had made and increased operations and maintenance costs.

Southern Shores - Effective January 1, 2020, the DEPSC approved the renewal of a multi-year agreement for water service to a 2,200 unit condominium community in Sussex County, Delaware. Under the agreement, current rates will remain in effect until December 31, 2024, but should there be unanticipated capital expenditures or regulatory related changes in operating expenses exceeding certain thresholds during this time period, rates are permitted to be adjusted to reflect such cost changes. Thereafter, rate increases, if any, cannot exceed the lesser of the regional Consumer Price Index or 3%. The new agreement expires on December 31, 2029.

Twin Lakes Utilities, Inc. (Twin Lakes) - Twin Lakes provides water services to approximately 115 residential customers in Shohola, Pennsylvania. In 2020, Twin Lakes filed a petition requesting the PAPUC to exercise its discretion under Section 529 of the Pennsylvania Public Utility Code (the Code) to order the acquisition of Twin Lakes by a public utility as defined by the Code. The PAPUC assigned an Administrative Law Judge (ALJ) to adjudicate the matter and submit a decision to the PAPUC. Pre-filed testimony was submitted by all parties and an evidentiary hearing was held by the ALJ in early January 2021. The briefing schedule concluded on February 25, 2021 and a decision by the ALJ is expected to be issued in the second quarter of 2021. A final PAPUC Order on this matter is expected to also be issued during the second quarter of 2021. Separately, in January 2021, the PAPUC issued an Order appointing a large Pennsylvania based investor-owned water utility as the receiver (the Receiver Utility) of the Twin Lakes system effective January 15, 2021 with the receivership to remain in place until the final outcome of the Section 529 proceeding. In connection with this receivership, the Receiver Utility’s responsibilities will include operating and maintaining the system assets in compliance with all state, federal and local laws and regulations, maintaining existing or necessary permits, licenses, approvals, authorizations, orders, consents, registrations or filings, providing a list of recommended capital improvements, providing all supervision and personnel necessary and responding to system emergencies by taking necessary action to ensure the continued provision of adequate, efficient, safe and reasonable service. We cannot predict whether the PAPUC will ultimately approve or deny the Section 529 petition. Twin Lakes’ PAPUC-approved annual revenues and rate base are currently set at $0.2 million and $1.5 million, respectively, and its financial results, total assets and financial obligations are not material to the Company.

Regulatory Matters

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

	(Thousands of Dollars) December 31,		
Regulatory Assets	**2020**	**2019**	**Remaining Recovery Periods**
Retirement Benefits	$ 45,419	$ 44,281	Various
Income Taxes	66,759	60,151	Various
Rate Cases, Tank Painting, and Other	5,966	6,047	2-10 years
Total	$ 118,144	$ 110,479	

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

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

The 2017 Tax Act reduced the statutory corporate federal income tax rate from 35% to 21% . The tariff rates charged to customers effective prior to 2018 in the Company’s regulated companies include recovery of income taxes at the statutory rate in effect at the time those rates were approved by the respective state public utility commissions. As of December 31, 2020 and December 31, 2019, the Company has recorded regulatory liabilities of $31.0 million and $31.5 million, respectively for excess income taxes collected through rates due to the lower income tax rate under the 2017 Tax Act. These regulatory liabilities are overwhelmingly related to utility plant depreciation deduction timing differences, which are subject to Internal Revenue Service (IRS) normalization rules. The IRS rules limit how quickly the excess taxes attributable to accelerated taxes can be returned to customers. The current base rates for Middlesex, Pinelands and Twin Lakes’ customers became effective after 2017 and reflect the impact of the 2017 Tax Act on their revenue requirements. In February 2019, Tidewater received approval from the DEPSC to reduce its base rates to reflect the lower statutory corporate income tax rate enacted by the 2017 Tax Act (see *Rate Matters-Tidewater* above).

As part of Middlesex’s March 2018 base water rate settlement with the NJBPU, Middlesex received approval for regulatory accounting treatment of income tax benefits associated with the adoption of tangible property regulations issued by the IRS (see *Rate Matters-Middlesex* above), and, as of December 31, 2020 and 2019, the Company has recorded $14.9 million and $24.2 million of related regulatory liabilities.

The Company uses composite depreciation rates for its regulated utility assets, which is currently an acceptable method under generally accepted accounting principles and is widely used in the utility industry. Historically, under the composite depreciation method, the anticipated costs of removing assets upon retirement are provided for over the life of those assets as a component of depreciation expense. The Company recovers certain asset retirement costs through rates charged to customers as an approved component of depreciation expense. As of December 31, 2020 and 2019, the Company has approximately $14.9 million and $13.4 million, respectively, of expected costs of removal recovered currently in rates in excess of actual costs incurred as regulatory liabilities.

Note 3 - Income Taxes

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

	(Thousands of Dollars) Years Ended December 31,		
	2020	2019	2018
Income Tax at Statutory Rate	$ 7,204	$ 6,457	$ 7,009
Tax Effect of:			
Utility Plant Related	(1,356)	(802)	422
Tangible Property Repairs	(11,298)	(10,156)	(7,763)
State Income Taxes – Net	1,364	1,173	1,207
Other	(33)	188	49
Total Income Tax (Benefit) Expense	$ (4,119)	$ (3,140)	$ 924

Income tax (benefit) expense is comprised of the following:

	(Thousands of Dollars) Years Ended December 31,		
	2020	2019	2018
Current:			
Federal	$ (4,281)	$ (3,822)	$ (188)
State	2,598	2,246	2,073
Deferred:			
Federal	(1,490)	(726)	(338)
State	(871)	(761)	(545)
Investment Tax Credits	(75)	(77)	(78)
Total Income Tax (Benefit) Expense	$ (4,119)	$ (3,140)	$ 924

As part of Middlesex's March 2018 base water rate settlement with the NJBPU, Middlesex received approval for regulatory accounting treatment of income tax benefits associated with the adoption of tangible property regulations issued by the IRS as well as prospective recognition of the income tax benefits for the immediate deduction of repair costs on tangible property (see Note 2 – *Rate and Regulatory Matters*). This results in significant reductions in the Company's effective income tax rate, current income tax (benefit) expense and deferred income tax (benefit) expense.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax purposes. The components of the net deferred tax liability are as follows:

	(Thousands of Dollars) December 31, 2020	2019
Utility Plant Related	$ 56,868	$ 50,608
Customer Advances	(3,626)	(3,661)
Employee Benefits	7,339	6,543
Investment Tax Credits	445	519
Other	271	399
Total Accumulated Deferred Income Taxes	$ 61,297	$ 54,408

The Company's federal income tax returns for the tax years 2014 through 2017 were selected for examination by the IRS, which included the tax year in which the Company had adopted the final IRS tangible property regulations and changed its accounting method for the tax treatment of expenditures that qualified as deductible repairs. As a result of the audit examination, the Company agreed to certain modifications of its accounting method for expenditures that qualify as deductible repairs. In 2019, the Company paid $2.7 million in income taxes and $0.1 million in interest in connection with the conclusion of the 2014 through 2017 federal income tax return audits. As of December 31, 2020, the Company has reduced its income tax reserve provision and interest expense liability to $0.5 million and $0.1 million, respectively.

The statutory review periods for federal income tax returns for the years prior to 2017 have been closed. Other than the effects of the provision against refundable taxes discussed above, there are no unrecognized tax benefits resulting from prior period tax positions.

Note 4 - Commitments and Contingent Liabilities

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 27.0 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 NJBPU-regulated water utility for the purchase of treated water. This agreement, which expires February 27, 2026, provides for the minimum purchase of 3.0 mgd of treated water with provisions for additional purchases if needed.

Tidewater contracts with the City of Dover, Delaware to purchase treated water of 15.0 million gallons annually.

Purchased water costs are shown below:

	(Millions of Dollars) Years Ended December 31, 2020	2019	2018
Untreated	$ 3.4	$ 3.4	$ 3.6
Treated	3.6	3.2	3.2
Total Costs	$ 7.0	$ 6.6	$ 6.8

Guarantees - As part of an agreement with the County of Monmouth, New Jersey (County), prior to 2020 Middlesex had served as guarantor of the performance of an unaffiliated wastewater treatment contractor and partner (Contractor), to operate a County-owned leachate pretreatment facility.

In November 2019, Middlesex was notified that the County terminated its Agreement with the Contractor. The Contractor had initiated legal action against the County that in part contests the County's exercise of this termination. The County filed a counter-claim against the Contractor's parent company and has brought Middlesex into the suit as a third-party defendant. We continue to monitor this litigation; however, given the cancellation of the underlying operating contract by the County and the continuation of the litigation matter, we do not anticipate having to perform under the guaranty nor do we anticipate the ultimate outcome will have a material impact on the Company's results of operations or financial condition. Based on the foregoing, the liability and asset for the guaranty, included in Other Non-Current Liabilities and Other Non-Current Assets on the balance sheet, was reduced from $1.4 million as of December 31, 2019 to $0 at December 31, 2020.

Leases - The Company determines if an arrangement is a lease at the inception of the lease. Generally, a lease agreement exists if the Company determines that the arrangement gives the Company control over the use of an identified asset and obtains substantially all of the benefits from the identified asset.

The Company has an operating lease for office space for administrative purposes, expiring in 2030. The Company has not entered into any finance leases. The exercise of a lease renewal option for the Company's administrative offices is solely at the discretion of the Company.

The right-of-use (ROU) asset recorded represents the Company's right to use an underlying asset for the lease term and lease liability represents the Company's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company's operating lease does not provide an implicit discount rate and as such the Company used an estimated incremental borrowing rate (4.03%) based on the information available at commencement date in determining the present value of lease payments.

Given the impacts of accounting for regulated operations, and the resulting recognition of expense at the amounts recovered in customer rates, expenditures for operating leases are consistent with lease expense and was $0.8 million, $0.7 million and $0.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Information related to operating lease ROU assets is as follows:

	(In Millions December 31,	
	2020	**2019**
ROU Asset at Least Inception	$ 7.3	$ 7.3
Accumulated Amortization	(2.1)	(1.4)
Current ROU Asset	$ 5.2	$ 5.9

The Company's future minimum operating lease commitments as of December 31, 2020 are as follows:

	(In Millions) December 31, 2020
2021	0.8
2022	0.8
2023	0.8
2024	0.8
2025	0.8
Thereafter	3.6
Total Lease Payments	$ 7.6
Imputed Interest	(1.9)
Present Value of Lease Payments	5.7
Less Current Portion*	(0.7)
Non-Current Lease Liability	$ 5.0

* Included in Other Current Liabilities

Construction – The Company has projected to spend approximately $134 million in 2021, $97 million in 2022 and $83 million in 2023 on its construction program. The Company has entered into several contractual construction agreements that in total obligate it to expend an estimated $19 million in the future. The actual amount and timing of capital expenditures is dependent on the need for replacement of existing infrastructure, customer growth, residential new home construction and sales, project scheduling and continued refinement of project scope and costs and could be impacted if the effects of the COVID-19 pandemic continue for an extended period of time (for further discussion of the impact of COVID-19 on the Company, see *Note 1(s) COVID-19*). There is no assurance that projected customer growth and residential new home construction and sales will occur.

Contingencies – Based on our operations in the heavily-regulated water and wastewater industries, the Company is routinely involved in disputes, claims, lawsuits and other regulatory and legal matters, including responsibility for fines and penalties relative to regulatory compliance. At this time, Management does not believe the final resolution of any such matters, whether asserted or unasserted, will have a material adverse effect on the Company's financial position, results of operations or cash flows. In addition, the Company maintains business insurance coverage that may mitigate the effect of any current or future loss contingencies.

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

Note 5 - Short-term Borrowings

Information regarding the Company's short-term borrowings for the years ended December 31, 2020 and 2019 is summarized below:

	(Millions of Dollars) 2020	2019
Average Amount Outstanding	$ 28.3	$ 52.4
Weighted Average Interest Rate	1.55%	3.33%
Notes Payable at Year-End	$ 2.0	$ 20.0
Weighted Average Interest Rate at Year-End	1.04%	2.86%

The Company maintained lines of credit aggregating $140.0 million at December 31, 2020 and 2019.

	(Millions) As of December 31, 2020				
	Outstanding	Available	Maximum	Credit Type	Line of Credit Renewal Date
Bank of America	$ -	$ 60.0	$ 60.0	Uncommitted	January 28, 2021
PNC Bank	2.0	66.0	68.0	Committed	January 31, 2022
CoBank	-	12.0	12.0	Committed	November 30, 2023
	$ 2.0	$ 138.0	$ 140.0		

The Company's Bank of America line of credit was renewed on January 28, 2021 and reduced to $30.0 million, reducing the Company's total available lines of credit to $110.0 million. The Bank of America line of credit is renewed on an annual basis.

The maturity dates for the Notes Payable as of December 31, 2020 are in January 2021 and are extendable at the discretion of the Company.

The interest rates for borrowings under the lines of credit are set using the London InterBank Offered Rate (LIBOR) and adding a credit spread, which varies by financial institution. There is no requirement for a compensating balance under any of the established lines of credit.

Note 6 - Capitalization

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

Common Stock

In November 2019, the Company sold and issued 0.8 million shares of common stock in a public offering priced at $60.50 per share. The net proceeds of $43.7 million were used for general corporate purposes including repayment of a portion of the Company's short-term debt.

The Company issues shares of its common stock in connection with its Middlesex Water Company Investment Plan (the Investment Plan), a direct share purchase and dividend reinvestment plan for the Company's common stock. The Company raised approximately $1.2 million under the Investment Plan during 2020. Since the inception of the Investment Plan and its predecessor plan, the Company has periodically replenished the level of authorized shares in the plans. Currently, there remains 0.4 million shares registered with the SEC for the Investment Plan and available for potential issuance to participants. In 2019, the Company raised approximately $12.7 million primarily through a limited duration six-month share purchase discount feature of the Investment Plan. The 0.2 million share purchase limit was reached and the discount offer ceased prior to the original ending date.

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

The Company maintains a stock plan for its outside directors (the Outside Director Stock Compensation Plan) as a component of Director compensation. For the years ended December 31, 2020, 2019 and 2018, 4,074, 3,521 and 4,004 shares, respectively, of Middlesex common stock were granted and issued to the Company's outside directors under the Outside Director Stock Compensation Plan and 52,569 shares remain available for future awards. The maximum number of shares authorized for grant under the Outside Director Stock Compensation Plan is 100,000.

In the event dividends on the preferred stock are in arrears, no dividends may be declared or paid on the common stock of the Company.

Preferred Stock

At December 31, 2020 and 2019, there were 120,000 shares of preferred stock authorized and less than 31,000 shares of preferred stock outstanding. There were no preferred stock dividends in arrears.

The Company may not pay any dividends on its common stock unless full cumulative dividends to the preceding dividend date for all outstanding shares of preferred stock have been paid or set aside for payment. If four or more quarterly dividends are in arrears, the preferred shareholders, as a class, are entitled to elect two members to the Board of Directors in addition to Directors elected by holders of the common stock. In addition, if Middlesex were to liquidate, holders of preferred stock would be paid back the stated value of their preferred shares before any distributions could be made to common stockholders.

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

In 2019, all remaining outstanding no par $8.00 Series Cumulative and Convertible Preferred Stock were converted into the Company’s common stock.

Long-term Debt

Subject to regulatory approval, the Company periodically issues long-term debt to fund its investments in utility plant. To the extent possible, the Company finances qualifying capital projects under State Revolving Fund (SRF) loan programs in New Jersey and Delaware. These government programs provide financing at interest rates that are typically below rates available in the broader financial markets. A portion of the borrowings under the New Jersey SRF is interest-free. Under the New Jersey SRF program, borrowers first enter into a construction loan agreement with the New Jersey Infrastructure Bank (NJIB) at a below market interest rate. The interest rate on the Company’s current construction loan borrowings is zero percent (0%). When construction on the qualifying project is substantially complete, NJIB will coordinate the conversion of the construction loan into a long-term securitized loan with a portion of the principal balance having a stated interest rate of zero percent (0%) and a portion of the principal balance at a market interest rate at the time of closing using the credit rating of the State of New Jersey. The term of the long-term loans currently offered through the NJIB is up to thirty years.

The NJIB generally schedules its long-term debt financings in May and November. Middlesex currently has two projects that are in the construction loan phase of the New Jersey SRF program as follows:

1) In April 2018, the NJBPU approved Middlesex’s request to participate in the NJIB loan program to fund the construction of a 4.5 mile large-diameter transmission pipeline from the Carl J. Olsen water treatment plant in Edison, New Jersey and interconnect with our distribution system. Middlesex closed on a $43.5 million NJIB interest-free construction loan in August 2018. Through December 31, 2020, Middlesex has drawn a total of $41.9 million and expects to draw any remaining funding requests on this construction loan in the first quarter of 2021.

2) In March 2018, the NJBPU approved Middlesex’s request to participate in the NJIB loan program to fund the 2018 RENEW Program, which is an ongoing initiative to eliminate unlined water distribution mains in the Middlesex system. Middlesex closed on an $8.7 million NJIB construction loan in September 2018 and completed withdrawal of the proceeds in October 2019.

The Company expects that the large-diameter transmission pipeline and the 2018 RENEW construction loans will be included in the NJIB May 2021 long-term debt financing program.

In September 2018, the NJIB announced changes to the SRF program for project funding priority ranking, the proportions of interest free loans and market interest rate loans and overall loan limits on interest free loan balances to investor-owned water utilities. These changes affect SRF projects for which the construction loan closes after September 2018. Under the new guidelines, the principal balance having a stated interest rate of zero percent (0%) is 25% of the loan balance with the remaining portion of 75% having a market based interest rate. This is limited to the first $10.0 million of the loan. Loan amounts above $10.0 million do not participate in the 0% rate program, but do participate at the market based interest rate. As a result of all these changes, the Company’s future capital funding plan currently does not include participating in the NJIB SRF program.

In May 2020, Middlesex received approval from the NJBPU to borrow up to $100 million, in one or more private placement transactions through December 31, 2023 to help fund Middlesex’s multi-year capital construction program. In November 2020, Middlesex closed on a $40.0 million private placement loan with a payment maturity date of November 2050 and an interest rate of 2.90% by issuing First Mortgage Bonds (FMBs) designated as Series 2020A. Proceeds from this loan were used to reduce the Company’s existing short-term borrowings under its lines of credit and to fund the 2020 capital program.

In order to help ensure adherence to its comprehensive financing plan, Middlesex received approval from the NJBPU in February 2019 to issue and sell up to $140 million of FMBs through the NJEDA in one or more transactions through December 31, 2022. Because the interest paid to the bondholders is exempt from federal and New Jersey income taxes, the interest rate on debt issued through the NJEDA is generally lower than otherwise achievable in the traditional taxable corporate bond market. However, the interest received by the bondholder is subject to the Alternative Minimum Tax.

In August 2019, Middlesex priced and closed on a NJEDA debt financing transaction of $53.7 million by issuing FMBs designated as Series 2019A ($32.5 million at coupon interest rate of 4.0%) and Series 2019B ($21.2 million at coupon interest rate of 5.0%). The proceeds, including an issuance premium of $7.1 million, are being used to finance several projects under the Water For Tomorrow capital program initiated by the Company to upgrade and replace aging water utility infrastructure. The total proceeds of $60.8 million, initially recorded as Restricted Cash on the balance sheet, are held in escrow by a bond trustee and are drawn down by requisition for the qualifying projects. Through December 31, 2020, Middlesex has drawn a total of $55.1 million and currently expects to draw the remaining $5.7 million of proceeds, currently included in Restricted Cash, through the second quarter of 2021.

In March 2018, the DEPSC approved Tidewater’s request to borrow up to $0.9 million under the Delaware SRF program to fund the replacement of an entire water distribution system of a small Delaware community. Tidewater closed on the SRF loan in May 2018. In April 2019, Tidewater received approval from the DEPSC to increase the borrowing to $1.7 million based on revised project cost estimates. Tidewater closed on the additional SRF loan in October 2019 and completed withdrawal of the proceeds in April 2020.

FMB Series RR, SS, 2019A, 2019B and 2020A are term bonds with single maturity dates subsequent to 2025. The aggregate annual principal repayment obligations for all long-term debt over the next five years are shown below:

Year	(Millions of Dollars) Annual Maturities
2021	$ 7.3
2022	$ 6.7
2023	$ 16.1
2024	$ 6.0
2025	$ 5.6

The weighted average interest rate on all long-term debt at December 31, 2020 and 2019 was 3.02% and 3.17%, respectively. Except for the FMB Series 2020A ($40.0 million) and Amortizing Secured Notes ($30.6 million), all of the Company’s outstanding long-term debt has been issued through the NJEDA ($109.1 million), the NJIB SRF program ($89.1 million) and the Delaware SRF program ($8.4 million).

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

Earnings Per Share

The following table presents the calculation of basic and diluted earnings per share (EPS) for the years ended December 31, 2020, 2019 and 2018. Basic EPS is computed on the basis of the weighted average number of shares outstanding. Diluted EPS assumes the conversion of both the Convertible Preferred Stock $7.00 Series and $8.00 Series (fully converted into common stock in September 2019).

	(In Thousands, Except Per Share Amounts)					
	2020		2019		2018	
Basic:	Income	Shares	Income	Shares	Income	Shares
Net Income	$ 38,425	17,459	$ 33,888	16,685	$ 32,452	16,384
Preferred Dividend	(120)		(132)		(144)	
Earnings Applicable to Common Stock	$ 38,305	17,459	$ 33,756	16,685	$ 32,308	16,384
Basic EPS	$ 2.19		$ 2.02		$ 1.97	
Diluted:						
Earnings Applicable to Common Stock	$ 38,305	17,459	$ 33,756	16,685	$ 32,308	16,384
$7.00 Series Dividend	67	115	67	115	67	115
$8.00 Series Dividend	-	-	12	29	24	41
Adjusted Earnings Applicable to Common Stock	$ 38,372	17,574	$ 33,835	16,829	$ 32,399	16,540
Diluted EPS	$ 2.18		$ 2.01		$ 1.96	

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments for which it is practicable to estimate that value. The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and notes payable approximate their respective fair values due to the short-term maturities of these instruments. The fair value of First Mortgage and State Revolving Fund Bonds (collectively, the Bonds) issued by Middlesex is based on quoted market prices for similar issues. Under the fair value hierarchy, the fair value of cash and cash equivalents is classified as a Level 1 measurement and the fair value of notes payable and the Bonds in the table below are classified as Level 2 measurements. The carrying amount and fair value of the Bonds were as follows:

	(Thousands of Dollars) At December 31,			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bonds	$ 147,667	$ 159,195	$ 151,361	$ 160,772

For other long-term debt issuances for which there is no quoted market price and there is not an active trading market, it was not practicable to estimate their fair value. For details, including carrying value, interest rate and due date on these series of long-term debt, please refer to those series of long-term debt described as “Amortizing Secured Note”, “State Revolving Trust Note”, “Construction Loans” and “Series 2020A” on the Consolidated Statements of Capital Stock and Long-Term Debt. The carrying amount of these instruments was $129.6 million and $83.0 million at December 31, 2020 and 2019, respectively. Customer advances for construction have carrying amounts of $23.4 million and $23.9 million at December 31, 2020 and 2019, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases.

Note 7 - Employee Benefit Plans

Pension Benefits

The Company's Pension Plan covers all active employees hired prior to April 1, 2007. Employees hired after March 31, 2007 are not eligible to participate in this plan, but can participate in a defined contribution profit sharing plan that provides an annual contribution at the discretion of the Company, based upon a percentage of the participants' annual paid compensation. In order to be eligible for contribution, the eligible employee must be employed by the Company on December 31st of the year to which the contribution relates. The Company maintains an unfunded supplemental plan for a limited number of its executive officers. The Accumulated Benefit Obligation for the Company's Pension Plan at December 31, 2020 and 2019 was $101.7 million and $87.6 million, respectively.

Other Benefits

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

Regulatory Treatment of Over/Underfunded Retirement Obligations

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

The Company uses a December 31 measurement date for all of its employee benefit plans. The tables below set forth information relating to the Company's Pension Plan and Other Benefits Plan for 2020 and 2019.

	(Thousands of Dollars)			
	Pension Plan		Other Benefits Plan	
	December 31,			
	2020	2019	2020	2019
Change in Projected Benefit Obligation:				
Beginning Balance	$ 100,891	$ 83,927	$ 55,166	$ 48,474
Service Cost	2,434	2,171	993	839
Interest Cost	3,099	3,426	1,699	1,984
Actuarial (Gain) Loss	12,585	14,188	(4,279)	4,671
Benefits Paid	(3,148)	(2,821)	(803)	(802)
Ending Balance	$ 115,861	$ 100,891	$ 52,776	$ 55,166

	(Thousands of Dollars) Pension Plan		Other Benefits Plan	
	December 31,			
	2020	2019	2020	2019
Change in Fair Value of Plan Assets:				
Beginning Balance	$ 80,380	$ 66,771	$ 40,613	$ 34,622
Actual Return on Plan Assets	8,289	12,753	3,988	5,192
Employer Contributions	3,400	3,677	1,094	1,601
Benefits Paid	(3,148)	(2,821)	(803)	(802)
Ending Balance	$ 88,921	$ 80,380	$ 44,892	$ 40,613
Funded Status	$ (26,940)	$ (20,511)	$ (7,884)	$ (14,553)

	(Thousands of Dollars) Pension Plan		Other Benefits Plan	
	December 31,			
	2020	2019	2020	2019
Amounts Recognized in the Consolidated Balance Sheets consist of :				
Current Liability	$ 398	$ 393	$ —	$ —
Noncurrent Liability	26,542	20,118	7,884	14,553
Net Liability Recognized	$ 26,940	$ 20,511	$ 7,884	$ 14,553

	(Thousands of Dollars) Pension Plan			Other Benefits Plan		
	Years Ended December 31,					
	2020	2019	2018	2020	2019	2018
Components of Net Periodic Benefit Cost						
Service Cost	$ 2,434	$ 2,171	$ 2,426	$ 993	$ 839	$ 1,135
Interest Cost	3,099	3,426	3,061	1,699	1,984	1,898
Expected Return on Plan Assets	(5,635)	(4,694)	(4,871)	(2,853)	(2,451)	(2,550)
Amortization of Net Actuarial Loss	2,059	1,618	1,658	1,352	1,319	1,787
Amortization of Prior Service Credit	—	—	—	—	—	(1,607)
Net Periodic Benefit Cost*	$ 1,957	$ 2,521	$ 2,274	$ 1,191	$ 1,691	$ 663

*Service cost is included in Operations and Maintenance expense on the consolidated statements of income; all other amounts are included in Other Income (Expense), net.

Amounts that are expected to be amortized from Regulatory Assets into Net Periodic Benefit Cost in 2021 are as follows:

	(Thousands of Dollars) Pension Plan	Other Benefits Plan
Actuarial Loss	$ 2,868	$ 527

The discount rate and compensation increase rate for determining our postretirement benefit plans' benefit obligations and costs as of and for the years ended December 31, 2020, 2019 and 2018, respectively, are as follows:

Pension Plan Other Benefits Plan

	Pension Plan			Other Benefits Plan		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Weighted Average Assumptions:						
Expected Return on Plan Assets	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Discount Rate for:						
Benefit Obligation	2.37%	3.12%	4.15%	2.37%	3.12%	4.15%
Benefit Cost	3.12%	4.15%	3.53%	3.12%	4.15%	3.53%
Compensation Increase for:						
Benefit Obligation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Benefit Cost	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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

The Company utilizes the Society of Actuaries' mortality table (Pri-2012) (Mortality Improvement Scale MP2020 for the 2020 valuation).

For the 2020 valuation, costs and obligations for our Other Benefits Plan assumed a 7.5% annual rate of increase in the per capita cost of covered healthcare benefits in 2021 with the annual rate of increase declining 0.5% per year for 2022-2027, resulting in an annual rate of increase in the per capita cost of covered healthcare benefits of 4.5% by year 2027.

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

	(Thousands of Dollars) 1 Percentage Point	
	Increase	**Decrease**
Effect on Current Year Service and Interest Costs	$ 561	$ (431)
Effect on Projected Benefit Obligation	$ 8,845	$ (6,941)

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

	(Thousands of Dollars)	
Year	**Pension Plan**	**Other Benefits Plan**
2021	$ 3,373	$ 1,245
2022	3,537	1,489
2023	3,819	1,585
2024	4,715	1,664
2025	5,137	1,755
2026-2030	26,787	9,671
Totals	$ 47,368	$ 17,409

Benefit Plans Assets

The allocation of plan assets at December 31, 2020 and 2019 by asset category is as follows:

	Pension Plan			Other Benefits Plan		
Asset Category	**2020**	**2019**	**Target**	**2020**	**2019**	**Target**
Equity Securities	60.6%	61.5%	55%	62.3%	60.0%	43%
Debt Securities	37.5%	36.5%	38%	31.0%	33.0%	50%
Cash	1.2%	0.5%	2%	6.7%	7.0%	2%
Real Estate/Commodities	0.7%	1.5%	5%	0.0%	0.0%	5%
Total	100.0%	100.0%		100.0%	100.0%	

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

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

Equity securities include Middlesex common stock in the amounts of $1.4 million (1.6% of total Pension Plan assets) and $1.2 million (1.6% of total Pension Plan assets) as of December 31, 2020 and 2019, respectively.

Fair Value Measurements

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

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

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

The following tables present Middlesex's Pension Plan assets measured and recorded at fair value within the fair value hierarchy:

	(Thousands of Dollars) As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 76,026	$ —	$ —	$ 76,026
Money Market Funds	1,086	—	—	1,086
Common Equity Securities	11,809	—	—	11,809
Total Investments	$ 88,921	$ —	$ —	$ 88,921

	(Thousands of Dollars) As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 69,565	$ —	$ —	$ 69,565
Money Market Funds	397	—	—	397
Common Equity Securities	10,418	—	—	10,418
Total Investments	$ 80,380	$ —	$ —	$ 80,380

The following tables present Middlesex's Other Benefits Plan assets measured and recorded at fair value within the fair value hierarchy:

	(Thousands of Dollars) As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 27,408	$ —	$ —	$ 27,408
Money Market Funds	3,696	—	—	3,696
Agency/US/State/Municipal Debt	—	13,788	—	13,788
Total Investments	$ 31,104	$ 13,788	$ —	$ 44,892

	(Thousands of Dollars) As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 24,361	$ —	$ —	$ 24,361
Money Market Funds	2,859	—	—	2,859
Agency/US/State/Municipal Debt	—	13,393	—	13,393
Total Investments	$ 27,220	$ 13,393	$ —	$ 40,613

Benefit Plans Contributions

For the Pension Plan, Middlesex made total cash contributions of $3.4 million in 2020 and expects to make approximately $3.4 million of cash contributions in 2021.

For the Other Benefits Plan, Middlesex made total cash contributions of $1.1 million in 2020 and expects to make approximately $0.8 million of cash contributions in 2021.

401(k) Plan

The Company maintains a 401(k) defined contribution plan, which covers substantially all employees with more than 1,000 hours of service. Under the terms of the Plan, the Company matches 100% of a participant's contributions, which do not exceed 1% of a participant's compensation, plus 50% of a participant's contributions exceeding 1%, but not more than 6%. The Company's matching contribution was $0.7 million, $0.7 million and $0.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

For those employees hired after March 31, 2007, who are not eligible to participate in the Pension Plan, and who are still actively employed on December 31, 2020, the Company will fund a discretionary contribution of $0.7 million which represents 5.0% of eligible 2020 compensation . For the years ended December 31, 2019 and 2018, the Company made discretionary contributions of $0.7 million and $0.6 million, respectively, for qualifying employees.

Stock-Based Compensation

The Company maintains a long-term incentive compensation plan where awards are made in the form of restricted common stock for certain management employees (the 2018 Restricted Stock Plan). Shares of restricted stock issued in connection with the 2018 Restricted Stock Plan are subject to forfeiture by the employee in the event of termination of employment for any reason within five years of the award other than as a result of retirement at normal retirement age, death, disability or change in control. The maximum number of shares authorized for grant under the 2018 Restricted Stock Plan is 300,000 shares, of which approximately 89% remain available for award.

The Company recognizes compensation expense at fair value for the 2018 Restricted Stock Plan awards in accordance with ASC 718, *Compensation – Stock Compensation*. Compensation expense is determined by the market value of the stock on the date of the award and is being amortized over the expected vesting period.

The following table presents awarded but not yet vested share information for the 2018 Restricted Stock Plan:

	Shares (thousands)	Unearned Compensation (thousands)	Weighted Average Grant Price
Balance, January 1, 2018	132	$ 1,785	
Granted	22	827	$ 36.53
Vested	(27)	—	
Forfeited	(2)	(18)	
Amortization of Compensation Expense	—	(956)	
Balance, December 31, 2018	125	$ 1,638	
Granted	18	975	$ 55.99
Vested	(28)	—	
Forfeited	(18)	—	
Amortization of Compensation Expense	—	(907)	
Balance, December 31, 2019	97	$ 1,706	
Granted	16	982	$ 60.12
Vested	(27)	—	
Amortization of Compensation Expense	—	(851)	
Balance, December 31, 2020	86	$ 1,837	

The fair value of vested restricted shares was $1.7 million as of both December 31, 2020 and 2019, respectively.

Note 8 - Business Segment Data

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

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

	(Thousands of Dollars) Years Ended December 31,		
Operations by Segments:	**2020**	**2019**	**2018**
Revenues:			
Regulated	$ 129,851	$ 123,078	$ 121,901
Non – Regulated	12,545	12,177	16,778
Inter-segment Elimination	(804)	(657)	(602)
Consolidated Revenues	$ 141,592	$ 134,598	$ 138,077
Operating Income:			
Regulated	$ 34,043	$ 31,805	$ 34,127
Non – Regulated	3,377	3,715	3,015
Consolidated Operating Income	$ 37,420	$ 35,520	$ 37,142
Depreciation:			
Regulated	$ 18,264	$ 16,481	$ 14,846
Non – Regulated	208	235	191
Consolidated Depreciation	$ 18,472	$ 16,716	$ 15,037
Other Income (Expense), Net:			
Regulated	$ 4,605	$ 3,018	$ 3,284
Non – Regulated	130	(253)	119
Inter-segment Elimination	(356)	(273)	(411)
Consolidated Other Income (Expense), Net	$ 4,379	$ 2,492	$ 2,992
Interest Charges:			
Regulated	$ 7,780	$ 7,456	$ 7,060
Non – Regulated	70	81	109
Inter-segment Elimination	(357)	(273)	(411)
Consolidated Interest Charges	$ 7,493	$ 7,264	$ 6,758
Income Taxes:			
Regulated	$ (5,139)	$ (4,317)	$ (54)
Non – Regulated	1,020	1,177	978
Consolidated Income Taxes	$ (4,119)	$ (3,140)	$ 924
Net Income:			
Regulated	$ 35,951	$ 31,602	$ 30,405
Non – Regulated	2,474	2,286	2,047
Consolidated Net Income	$ 38,425	$ 33,888	$ 32,452
Capital Expenditures:			
Regulated	$ 105,091	$ 88,858	$ 71,493
Non – Regulated	528	267	601
Total Capital Expenditures	$ 105,619	$ 89,125	$ 72,094

	(Thousands of Dollars) As of December 31, 2020	As of December 31, 2019
Assets:		
Regulated	$ 998,932	$ 910,081
Non – Regulated	8,289	9,686
Inter-segment Elimination	(30,751)	(9,889)
Consolidated Assets	$ 976,470	$ 909,878

Note 9 - Quarterly Data - Unaudited

Financial information for each quarter of 2020 and 2019 is as follows:

2020	1st	2nd	3rd	4th	Total
Operating Revenues	$ 31,769	$ 35,277	$ 39,920	$ 34,626	$ 141,592
Operating Income	6,527	9,385	13,177	8,331	37,420
Net Income	7,668	9,713	12,737	8,307	38,425
Basic Earnings per Share	$ 0.44	$ 0.55	$ 0.73	$ 0.47	$ 2.19
Diluted Earnings per Share	$ 0.44	$ 0.55	$ 0.72	$ 0.47	$ 2.18
Common Dividend Per Share	$ 0.2563	$ 0.2563	$ 0.2563	$ 0.2725	$ 1.0414
High/Low Common Stock Price	$69.92/$48.79	$72.41/$53.70	$69.89/$59.61	$76.08/$61.81	

2019	1st	2nd	3rd	4th	Total
Operating Revenues	$ 30,698	$ 33,393	$ 37,769	$ 32,738	$ 134,598
Operating Income	7,028	8,950	11,983	7,559	35,520
Net Income	6,552	8,146	11,119	8,071	33,888
Basic Earnings per Share	$ 0.40	$ 0.49	$ 0.67	$ 0.46	$ 2.02
Diluted Earnings per Share	$ 0.39	$ 0.49	$ 0.67	$ 0.46	$ 2.01
Common Dividend Per Share	$ 0.2400	$ 0.2400	$ 0.2400	$ 0.2563	$ 0.9763
High/Low Common Stock Price	$60.48/$51.02	$63.68/$52.51	$66.10/$55.30	$67.69/$58.75	

The information above, in the opinion of the Company, includes all adjustments consisting only of normal recurring accruals necessary for a fair presentation of such amounts. The business of the Company is subject to seasonal fluctuation with the peak period usually occurring during the summer months. The quarterly earnings per share amounts above may differ slightly from previous filings due to the effects of rounding.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

As required by Rule 13a-15 under the Exchange Act, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted by the Company's Chief Executive Officer along with the Company's Chief Financial Officer for the quarter ended December 31, 2020. Based upon that evaluation the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded:

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

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

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

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

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

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the adequacy of financial statement preparation and presentation. Middlesex's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013 framework). Based on our assessment, we believe that as of December 31, 2020, the Company's internal control over financial reporting is operating as designed and is effective based on those criteria.

Middlesex's independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2020 as stated in their report which is included herein.

/s/ Dennis W. Doll	/s/ A. Bruce O'Connor
Dennis W. Doll	A. Bruce O'Connor
President and	Senior Vice President, Treasurer and
Chief Executive Officer	Chief Financial Officer

Iselin, New Jersey
February 25, 2021

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information with respect to Directors of Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

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

ITEM 11. EXECUTIVE COMPENSATION.

This Information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

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

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

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

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

This information for Middlesex Water Company is included in Middlesex Water Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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

   Consolidated Balance Sheets at December 31, 2020 and 2019.

   Consolidated Statements of Income for each of the three years in the period ended December 31, 2020.

   Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2020.

   Consolidated Statements of Capital Stock and Long-term Debt as of December 31, 2020 and 2019.

   Consolidated Statements of Common Stockholders' Equity for each of the three years in the period ended December 31, 2020.

   Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

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

3. Exhibits

   See Exhibit listing immediately following the signature page.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

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

MIDDLESEX WATER COMPANY

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

Date: February 25, 2021

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 25, 2021.

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

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

By: /s/ Joshua Bershad, M.D.
Joshua Bershad, M.D.
Director

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

By: /s/ Kim C. Hanemann
Kim C. Hanemann
Director

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

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

By: /s/ Ann L. Noble
Ann L. Noble
Director

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

EXHIBIT INDEX

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

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
3.1	The Restated Certificate of Incorporation, filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the Year ended December 31, 1998.		
3.2	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on June 20, 1997, filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.		
3.3	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on May 27, 1998, filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.		
3.4	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on June 10, 1998, filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.		
3.5	Certificate of Correction of Middlesex Water Company filed with the State of New Jersey on April 30, 1999, filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K/A-2 for the year ended December 31, 2003.		
3.6	Certificate of Amendment to the Restated Certificate of Incorporation of Middlesex Water Company, filed with the State of New Jersey on February 17, 2000, filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K/A-2 for the year ended December 31, 2003.		
3.7	Certificate of Amendment to the Restated Certificate of Incorporation of Middlesex Water Company, filed with the State of New Jersey on June 5, 2002, filed as Exhibit 3.5 to the Company's Annual Report on Form 10-K/A-2 for the year ended December 31, 2003.		
3.8	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on June 19, 2007, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 30, 2010.		
3.9	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on September 4, 2019, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed September 6, 2019.		
3.10	Certificate of Amendment to the Restated Certificate of Incorporation, filed with the State of New Jersey on September 19, 2019, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed September 23, 2019.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
3.11	By-laws of the Company, as amended, filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.		
3.12	Amendments to the by-laws of the Company, included as Exhibit 3(ii) to the Company's Current Report on Form 8-K dated November 22, 2017.		
4.1	Form of Common Stock Certificate.	2-55058	2(a)
10.1	Water Service Agreement, dated February 28, 2006, between the Company and Elizabethtown Water Company, filed as Exhibit 10 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.		
10.2	Mortgage, dated April 1, 1927, between the Company and Union County Trust Company, as Trustee, as supplemented by Supplemental Indentures, dated as of October 1, 1939 and April 1, 1949.	2-15795	4(a)-4(f)
10.3	Supplemental Indenture, dated as of July 1, 1964 and June 15, 1991, between the Company and Union County Trust Company, as Trustee.	33-54922	10.4-10.9
10.4	Agreement for a Supply of Water, dated as of July 27, 2011, between the Company and the Old Bridge Municipal Utilities Authority, filed as Exhibit No. 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.		
10.5	Water Supply Agreement, dated as of July 14, 1987, between the Company and the Marlboro Township Municipal Utilities Authority, as amended.	33-31476	10.13
10.6	Water Purchase Contract, dated as of September 25, 2003, between the Company and the New Jersey Water Supply Authority, filed as Exhibit No. 10.7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2003.		
10.7	Treatment and Pumping Agreement, dated October 1, 2014, between the Company and the Township of East Brunswick, filed as Exhibit No. 10.7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.		
10.8	Water Supply Agreement, dated June 4, 1990, between the Company and Edison Township.	33-54922	10.24
10.9	Agreement for a Supply of Water, dated January 1, 2006, between the Company and the Borough of Highland Park, filed as Exhibit No. 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.		
10.9(a)	Amendment to Agreement for a Supply of Water, dated as of December 1, 2015, between the Company and the Borough of Highland Park, filed as Exhibit No. 10.9(a) of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
(t)10.10	Middlesex Water Company Supplemental Executive Retirement Plan, filed as Exhibit 10.13 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.		
(t)10.11(a)	Middlesex Water Company 2018 Restricted Stock Plan, filed as Appendix A to the Company's Definitive Proxy Statement, dated and filed April 12, 2018.		
(t)10.11(b)	Registration Statement, Form S-8, under the Securities Act of 1933, filed December 18, 2008, relating to the Middlesex Water Company Outside Director Stock Compensation Stock Plan.	333-156269	
(t)10.12(a)	Change in Control Termination Agreement, dated as of January 1, 2009, between the Company and Dennis W. Doll, filed as Exhibit 10.13(a) of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.		
(t)10.12(b)	Change in Control Termination Agreement, dated as of January 1, 2009, between the Company and A. Bruce O'Connor, filed as Exhibit 10.13(b) of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.		
(t)10.12(c)	Change in Control Termination Agreement, dated as of March 1, 2012, between the Company and Lorrie B. Ginegaw, filed as Exhibit 10.13(e) of the Company's Annual Report on Form 10-K for the year ended December 31, 2011.		
(t)10.12(d)	Change in Control Termination Agreement, dated as of January 1, 2009, between the Company and Bernadette M. Sohler, filed as Exhibit 10.13(h) of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.		
(t)10.12(e)	Change in Control Termination Agreement, dated as of March 17, 2014, between the Company and Jay L. Kooper, filed as Exhibit 10.12(g) of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.		
(t)10.12(f)	Change in Control Termination Agreement, dated as of July 1, 2019, between the Company and G. Christian Andreasen, filed as Exhibit 10.12(f) of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.		
(t)10.12(g)	Change in Control Termination Agreement, dated as of July 1, 2019, between the Company and Robert K. Fullagar, filed as Exhibit 10.12(g) of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.		
(t)10.12(h)	Change in Control Termination Agreement, dated as of July 1, 2019, between the Company and Georgia M. Simpson, filed as Exhibit 10.12(h) of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.		
10.13	Transmission Agreement, dated October 16, 1992, between the Company and the Township of East Brunswick.	33-54922	10.23

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.13(a)	Amendment, dated November 28, 2016, to Transmission Agreement between the Company and the Township of East Brunswick, filed as Exhibit No. 10.13(a) of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.		
10.14	Contract, dated August 20, 2018, between the City of Perth Amboy and Utility Service Affiliates (Perth Amboy), Inc., filed as Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018.		
10.15	Twenty-Seventh Supplemental Indenture, dated October 15, 2001, between the Company and First Union National Bank; Loan Agreement, dated November 1, 2001, between the State of New Jersey and the Company (Series BB), filed as Exhibit No. 10.22 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001.		
10.16	Twenty-Seventh Supplemental Indenture, dated October 15, 2001, between the Company and First Union National Bank; Loan Agreement, dated November 1, 2001, between the New Jersey Environmental Infrastructure Trust and the Company (Series CC), filed as Exhibit No. 10.22 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001.		
10.17	Thirtieth Supplemental Indenture, dated October 15, 2004, between the Company and Wachovia Bank, National Association; Loan Agreement, dated November 1, 2004, between the State of New Jersey and the Company (Series EE), filed as Exhibit No. 10.26 of the Company's for the year ended December 31, 2004.		
10.18	Thirty-First Supplemental Indenture, dated October 15, 2004, between the Company and Wachovia Bank, National Association; Loan Agreement, dated November 1, 2004, between the New Jersey Environmental Infrastructure Trust and the Company (Series FF), filed as Exhibit No. 10.27 of the Company's Annual Report on Form 10-K for the year ended December 31, 2004.		
10.19	Promissory Note and Supplement, dated October 15, 2014, between Tidewater Utilities, Inc. and CoBank, ACB; Amendment to Combination Water Utility Real Estate Mortgage and Security Agreement, effective October 15, 2014, between Tidewater Utilities, Inc. and CoBank, ACB, filed as Exhibit 10.23 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.		
10.20	Agreement for a Supply of Water, dated April 1, 2006, between the Company and the City of Rahway, filed as Exhibit No. 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.21	Loan Agreement, dated November 1, 2006, between the State of New Jersey and the Company (Series GG), filed as Exhibit No. 10.30 of the Company's Annual Report on Form 10-K for the year ended December 31, 2006.		
10.22	Loan Agreement, dated November 1, 2006, between the New Jersey Environmental Infrastructure Trust and the Company (Series HH), filed as Exhibit No. 10.31 of the Company's Annual Report on Form 10-K for the year ended December 31, 2006.		
10.23	Loan Agreement, dated November 1, 2007, between New Jersey Environmental Infrastructure Trust and the Company (Series II), filed as Exhibit No. 10.32 of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.		
10.24	Loan Agreement, dated November 1, 2007, between the State of New Jersey and the Company (Series JJ), filed as Exhibit 10.33 of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.		
10.25	Loan Agreement, dated November 1, 2008, between New Jersey Environmental Infrastructure Trust and the Company dated as of (Series KK), filed as Exhibit 10.34 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.		
10.26	Loan Agreement, dated November 1, 2008, between the State of New Jersey and the Company (Series LL), filed as Exhibit 10.35 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.		
10.27	Prospectus Supplement, filed September 6, 2019, relating to the Middlesex Water Company Investment Plan.	333-233649	
10.28	Amended and Restated Line of Credit Note, dated October 22, 2019, between the Company, Pinelands Wastewater Company, Tidewater Environmental Services, Inc., Tidewater Utilities, Inc., Utility Service Affiliates (Perth Amboy) Inc., Utility Service Affiliates Inc. and While Marsh Environmental Systems, Inc., and PNC Bank, N.A., filed as Exhibit 10.32 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.		
10.29(a)	Amendment to the Amended and Restated Line of Credit Note, both dated October 22, 2019, between the Company, Pinelands Wastewater Company, Tidewater Environmental Services, Inc., Tidewater Utilities, Inc., Utility Service Affiliates (Perth Amboy) Inc., Utility Service Affiliates Inc. and While Marsh Environmental Systems, Inc., and PNC Bank, N.A., filed as Exhibit 10.32(a) of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.		

EXHIBIT INDEX

Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.29(b)	Renewal of Expiration Date of Amended and Restated Line of Credit Note between the Company, Pinelands Wastewater Company, Tidewater Environmental Services, Inc., Tidewater Utilities, Inc., Utility Service Affiliates (Perth Amboy) Inc., Utility Service Affiliates Inc. and While Marsh Environmental Systems, Inc., and PNC Bank, N.A., filed as Exhibit 10.32(b) of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.		
*10.30	Uncommitted Line of Credit, dated January 28, 2021, between the Company, Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates, Inc., Utility Service Affiliates (Perth Amboy) Inc., Tidewater Environmental Services, Inc., and Bank of America, N.A.		
10.31	Fourth Amendment to Promissory Note and Supplement, dated as of August 19, 2020, between Tidewater Utilities, Inc. and CoBank, ACB, filed as Exhibit 10.34 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020.		
10.32	Loan Agreement, dated December 1, 2010, between the State of New Jersey and the Company (Series MM), filed as Exhibit 10.41 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.		
10.33	Loan Agreement, dated December 1, 2010, between New Jersey Environmental Infrastructure Trust and the Company (Series NN), filed as Exhibit 10.42 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.		
10.34	Loan Agreement, dated May 1, 2012, between the State of New Jersey and the Company, (Series OO), filed as Exhibit 10.43 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.		
10.35	Loan Agreement, dated May 1, 2012, between New Jersey Environmental Infrastructure Trust and the Company (Series PP), filed as Exhibit 10.44 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.		
10.36	Loan Agreement, dated November 1, 2012, between the New Jersey Economic Development Authority and the Company (Series QQ, RR & SS), filed as Exhibit 10.41 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.		
10.37	Loan Agreement, dated May 1, 2013, between the State of New Jersey and the Company (Series TT), filed as Exhibit 10.42 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.		

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Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
10.38	Loan Agreement, dated May 1, 2013, between New Jersey Environmental Infrastructure Trust and the Company (Series UU), filed as Exhibit 10.43 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.		
10.39	Loan Agreement, dated May 1, 2014, between New Jersey Environmental Infrastructure Trust and the Company (Series VV), filed as Exhibit 10.43 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.		
10.40	Loan Agreement, dated May 1, 2014, between New Jersey Environmental Infrastructure Trust and the Company (Series WW), filed as Exhibit 10.44 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.		
10.41	Loan Agreement, dated November 1, 2017, between New Jersey Environmental Infrastructure Trust and the Company (Series XX), filed as Exhibit 10.44 of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.		
10.42	Loan Agreement, dated November 1, 2017, between New Jersey Environmental Infrastructure Trust and the Company (Series YY), filed as Exhibit 10.45 of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.		
10.43	Loan Agreement, dated May 1, 2018, between New Jersey Environmental Infrastructure Trust and the Company (Series 2018A), filed as Exhibit 10.46 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.		
10.44	Loan Agreement, dated May 1, 2018, between New Jersey Environmental Infrastructure Trust and the Company (Series 2018B), filed as Exhibit 10.47 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.		
10.45	Middlesex Water Company Note Relating To: The Construction Financing Loan Program of the New Jersey Infrastructure Bank f/k/a New Jersey Environmental Infrastructure Trust, dated August 1, 2018, filed as Exhibit 10.48 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018.		
10.46	Middlesex Water Company Note Relating To: The Construction Financing Loan Program of the New Jersey Infrastructure Bank f/k/a New Jersey Environmental Infrastructure Trust, dated September 12, 2018, filed as Exhibit 10.49 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018.		
10.47	Loan Agreement, dated August 1, 2019, between New Jersey Economic Development Authority and the Company, filed as Exhibit 10.50 to the Company's Current Report on Form 8-K filed September 6, 2019.		

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Exhibit No.	Document Description	Previous Registration No.	Filing's Exhibit No.
*10.48	Loan Agreement, dated November 16, 2020, between New York Life Insurance Company and the Company.		
*21	Middlesex Water Company Subsidiaries.		
*23.1	Consent of Independent Registered Public Accounting Firm, Baker Tilly US, LLP.		
*31	Section 302 Certification by Dennis W. Doll pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*31.1	Section 302 Certification by A. Bruce O'Connor pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.		
*32	Section 906 Certification by Dennis W. Doll pursuant to 18 U.S.C.§1350.		
*32.1	Section 906 Certification by A. Bruce O'Connor pursuant to 18 U.S.C.§1350.		
101.INS*	XBRL Instance Document– the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.		
101.SCH*	Inline XBRL Taxonomy Extension Schema Document		
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document		