

STEWART & KEEVIL, L.L.C.
ATTORNEYS AT LAW

ORIGINAL

CHARLES BRENT STEWART
JEFFREY A. KEEVIL

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SUITE 302
COLUMBIA, MISSOURI 65201-7931

TELEPHONE (573) 499-0635
FACSIMILE (573) 499-0638

February 8, 2000

TA-2000-484

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

FILED²

FEB 8 2000

Missouri Public
Service Commission

Re: Essential.com, Inc.
CLEC Application

Dear Mr. Roberts:

Please find enclosed for filing in the above-referenced case an original and fourteen copies of Essential.com, Inc.'s Application For Certificate of Service Authority And For Competitive Classification. A copy of this filing have been sent this date to the Office of the Public Counsel. Thank you.

Sincerely,

Brent Stewart
Brent Stewart

CBS/bt

Enclosure

cc: Office of the Public Counsel
Edward E. Madden, Jr.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

FILED³
FEB 08 2000

Missouri Public
Service Commission

In the Matter of the Application of)
Essential.com, Inc. for)
a Certificate of Service Authority to)
provide Basic Local Telecommunications)
Service in portions of the State of Missouri)
and for Competitive Classification.)

Case No. TA- 2000- 484

**APPLICATION FOR CERTIFICATE OF SERVICE AUTHORITY
AND FOR COMPETITIVE CLASSIFICATION**

Comes now Essential.com, Inc. ("Applicant" or "Essential"), by its undersigned counsel, and hereby applies pursuant to sections 392.361, 392.420, and 392.430, 392.440 RSMo 1994, 392.410, 392.450 RSMo Supp. 1999, and 4 CSR 240-2.060(4), for authority to provide resold basic local telecommunications service in portions of the State of Missouri and to classify said service and the company as competitive. In support of its Verified Application, Applicant states as follows:

1. Essential is a corporation duly organized and existing under and by virtue of the laws of the State of Delaware and is duly authorized to do business in Missouri. Pursuant to the relevant provisions of 4 CSR 240-2.060, documents from the Missouri Secretary of State's Office are attached hereto and incorporated herein by reference as Appendix A. Applicant's principal place of business is Three Burlington Woods Drive, 4th Floor, Burlington, MA 01803 and its telephone number is (781) 229-9599.

2. All correspondence, communications, pleadings, notices, orders and decisions relating to this Application should be addressed to:

Charles Brent Stewart
Stewart & Keevil, L.L.C.
1001 Cherry Street, Suite 302
Columbia, Missouri 65201
(573) 499-0635
(573) 499-0638 (FAX)

Eric J. Krathwohl
Rich, May, Bilodeau & Flaherty, P.C.
176 Federal Street, 6th Floor
Boston, MA 02110
(617) 482-1360
(617) 556-3890 (FAX)

With a copy to:

Mr. Peter Mills
Director of Regulatory Affairs
Essential.com, inc.
Three Burlington Woods Drive, 4th Floor
Burlington, MA 01803
(781) 229-9599
(781) 229-9499 (Fax)

All inquiries or communications regarding Applicant's ongoing operations should be addressed to:

Mr. Basil Pallone
Treasurer, Director of Finance/Controller
Essential.com, inc.
Three Burlington Woods Drive, 4th Floor
Burlington, MA 01803
(781) 229-9599
(781) 229-9499 (Fax)

3. By this Application, Essential requests certificate authority to provide competitive resold basic local exchange services to customers throughout all the exchanges currently served by Southwestern Bell Telephone Company ("SWBT"), GTE Midwest, Inc. ("GTE"), and Sprint of Missouri ("Sprint"). The specific SWBT, GTE and Sprint exchanges within which Applicant

proposes to offer service are listed in those companies' local exchange tariffs, copies of which are attached hereto and are incorporated herein by reference as Appendix B. Applicant's proposed service areas will follow the respective exchange boundaries of the stated incumbent LECs and shall be no smaller than an exchange as required by Section 392.455(3) RSMo Supp. 1999. Applicant may seek authorization to provide service in exchanges served by other incumbent LECs in a subsequent proceeding.

Applicant intends to provide its basic local service through use of the ILEC's switching equipment and facilities. Applicant is currently in the process of pursuing a interconnection agreement with SWBT and expects to file same in the near future. Once Essential's Application is granted, Essential plans to commence offering basic local service upon receiving Commission approval of its interconnection agreement(s) and related tariffs.

4. Pursuant to this Application, Applicant, seeks to offer and provide all forms of resold basic local telecommunications service to Missouri business customers. Applicant will bill its customers electronically through the use of its website, www.essential.com. Customers will have the opportunity customize portions of their bill to learn more about their usage of telecommunications services. Customers will be able to pay their bill electronically through the website, by way of credit card or debit card. In addition, Essential will, through resale of other carriers' services, provide access to 911 and enhanced 911 emergency services and provide directory assistance and operator assisted calling, dual party relay services, and other miscellaneous services currently provided by incumbent local exchange carriers.

Essential provides comprehensive customer service to its customers. Complaints may be reported by the customer via Essential's website and/or its toll free number, (888)-746-4983.

Customer service agents are available seven days a week. Essential's customer service representatives are prepared to respond to a broad range of service matters, including inquiries regarding: (1) the types of services offered by Essential and the rates associated with such services; (2) monthly billing statements; (3) problems or concerns pertaining to a customer's current service; and (4) general telecommunications matters.

5. Applicant possesses the technical and managerial expertise and experience necessary to provide the services it proposes as required by Section 392.455(1) RSMo Supp. 1999. Essential is guided by a sophisticated and highly capable management team that includes individuals who have distinguished themselves in executive positions at some of the top technology and communications firms in America. The senior management team has extensive business, technical, operational and regulatory experience. Every level of Essential's management team comprises individuals who have significant telecommunications experience and who are dedicated to providing the highest quality service to meet customer needs. A listing of Applicant's principals and their qualifications is attached hereto and incorporated herein as Appendix C.

6. Applicant possesses the necessary financial qualifications to provide the services it proposes as required by Section 392.455(1) RSMo Supp. 1999 and has the necessary capital to conduct its proposed operations in Missouri. Essential has proven its ability to obtain and maintain significant bank and vendor lines of credit as well as strategic alliances with other parties.

More specifically, the following demonstrates the financial viability of Essential. As publicly announced, Essential has respectively obtained: (a) a \$4,000,000 line of credit (subordinated debt funding) from Comdisco Ventures, a division of Comdisco, Inc. that has committed over \$1.5 billion

in capital to more than 600 venture backed start-up companies; and (b) approximately \$15,000,000 of equity funding from Brand Equity Ventures, Bessemer Venture Partners, EnerTech Capital Partners and others. Brand Equity Ventures is a venture capital fund that focuses exclusively on financing high-growth consumer businesses, having backed successful companies that include Cyberian Outpost, Gymboree, and OfficeMax. Bessemer Venture Partners is one of North America's oldest venture capital firms and an early investor in the Internet with such investments as eToys, VeriSign, BabyCenter, and MindSpring, among others. EnerTech Capital Partners is a private equity partnership providing financing and strategic value to service and technology companies in the deregulating utility and telecommunications marketplace. These significant financial establishments are also major shareholders in Essential.

While Essential, as an entrepreneurial start-up is not a subsidiary of an existing public company, these facts set forth herein, along with recently audited financials and bank deposits as of December 1, 1999 exceeding \$5,000,000, and a \$4,000,000 unused line of credit show that Essential has the requisite financial strength and resources to operate as a telecommunications services provider in the State of Missouri. The financial statements are set forth as Appendix D. Additional financial information can be provided, if necessary, upon request.

7. Pursuant to this Application, Applicant also seeks classification of itself and of its new basic local telecommunications service offerings as competitive, with accompanying reduced regulation pursuant to Sections 392.361 and 392.420 RSMo 1994 and 4 CSR 240-2.060(4)(F). The existing monopoly services of SWBT, GTE and Sprint will make the basic local markets Applicant seeks to enter sufficiently competitive to make a lesser degree of regulation for Applicant and its proposed services in the public interest, consistent with the legislative policies

established by the federal Telecommunications Act of 1996 and the recent revisions to Chapter 392 RSMo. This Commission already has approved several applications to provide resold basic local telecommunications services filed by new market entrants and has classified those new entrants and their services as competitive.

8. Applicant will offer basic local telecommunications service as a separate and distinct service in accordance with Section 392.455(4) RSMo Supp. 1999. Applicant will provide equitable access for all customers in Missouri, without regard to their income or where they might reside, to affordable telecommunications services in Applicant's proposed service areas in accordance with Section 392.455(5) RSMo Supp. 1999.

9. Applicant is willing to comply with all applicable Commission rules and is willing to meet all relevant service standards including, but not limited to, quality of service, billing, and tariff filing and maintenance. Consistent with the Commission's treatment of other certificated competitive local exchange telecommunications companies, Applicant requests that, at minimum, the following statutes and regulations for Applicant and its proposed basic local exchange service offerings be waived at this time:

STATUTES

392.210.2
392.270
392.280
392.290.1
392.300.2
392.310
392.320
392.330
392.340

REGULATIONS

4 CSR 240-10.020
4 CSR 240-30.040
4 CSR 240-35

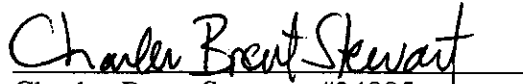
10. Applicant further requests a temporary waiver of 4 CSR 240-2.060(4)(H). This rule requires that an application for a certificate of service authority to provide interexchange, local exchange or basic local exchange service shall include a proposed tariff with a forty-five day effective date. Applicant finds it impossible at this time to develop tariffs to fully comply with this rule since Applicant has not yet executed or received Commission approval of any resale agreement with the incumbent LECs. At such time as all facts necessary for the development of such tariffs are known to Applicant, it will promptly file same bearing a forty-five day effective date with the Commission in a manner consistent with what Applicant believes to be recent Commission practice in similar cases.

11. Applicant submits that the public interest will be served by Commission approval of this Application because Applicant's proposed services will create and enhance competition and expand customer service options, consistent with the legislative goals set forth in the Telecommunications Act of 1996 and Chapter 392 RSMo. Prompt approval of this Application also will expand the availability of innovative, high-quality and reliable telecommunications services within the State of Missouri. Customers will benefit by having alternatives from which to choose and from general improvements in price, features and options that are generated by competitive market pressures.

* * * * *

WHEREFORE, Applicant essential.com, inc. respectfully requests that the Commission grant it a certificate of service authority to provide resold basic local telecommunications service as herein requested, classify Applicant and Applicant's proposed basic local services as competitive, and grant waivers of the aforesaid statutes and regulations, as expeditiously as possible.

Respectfully submitted,



Charles Brent Stewart #34885
STEWART & KEEVIL, L.L.C.
1001 Cherry Street, Suite 302
Columbia, Missouri 65201
(573) 499-0635

ATTORNEY FOR APPLICANT
ESSENTIAL.COM, INC.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Application, along with its verification and appendices, was sent to the Office of the Public Counsel by placing same in the United States Mail, first class postage prepaid, or by hand-delivery, this 8th day of February, 2000.

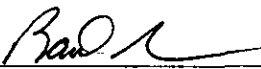
VERIFICATION

I, Basil Pallone, do hereby state to the best of my knowledge that:

1. I am the Treasurer, Director of Finance/Controller for the Applicant, essential.com, inc.
2. I have reviewed this Application for Certificate of Service Authority and for Competitive Classification.
3. I do hereby state that the information in this Application is true and accurate.
4. I do hereby state that essential.com, inc. is authorized to file this Application with the Public Service Commission of the State of Missouri.

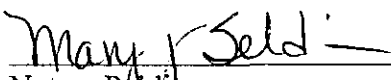
Executed this 2nd day of February, 2000 at Burlington, Massachusetts.

SIGNED UNDER THE PAINS AND PENALTIES OF PERJURY



Basil Pallone
Treasurer, Director of Finance/Controller

Subscribed and sworn to and acknowledged before me, came Basil Pallone, this 2nd day of February, 2000.



Notary Public

My Commission Expires:

ESSENTIAL.COM, INC.
CLEC APPLICATION
FEBRUARY 8, 2000

APPENDIX A

MISSOURI SECRETARY OF STATE DOCUMENTS

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION - CERTIFICATE OF AUTHORITY

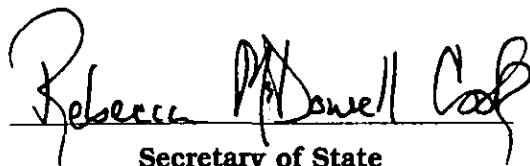
WHEREAS,
ESSENTIAL.COM, INC.

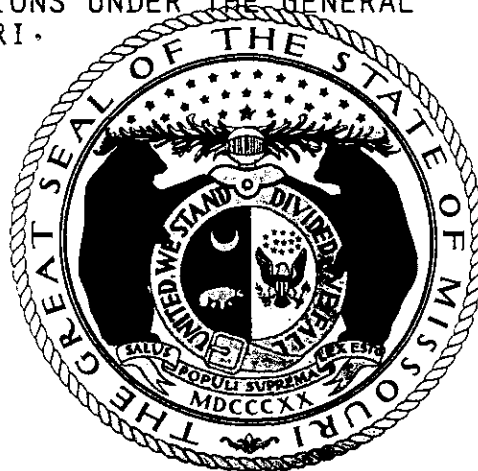
USING IN MISSOURI THE NAME
ESSENTIAL.COM, INC.

HAS COMPLIED WITH THE GENERAL AND BUSINESS CORPORATION LAW WHICH GOVERNS FOREIGN CORPORATIONS; BY FILING IN THE OFFICE OF THE SECRETARY OF STATE OF MISSOURI AUTHENTICATED EVIDENCE OF ITS INCORPORATION AND GOOD STANDING UNDER THE LAWS OF THE STATE OF DELAWARE.

NOW, THEREFORE, I, REBECCA MCDOWELL COOK, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT SAID CORPORATION IS FROM THIS DATE DULY AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE, AND IS ENTITLED TO ALL RIGHTS AND PRIVILEGES GRANTED TO FOREIGN CORPORATIONS UNDER THE GENERAL AND BUSINESS CORPORATION LAW OF MISSOURI.

IN TESTIMONY WHEREOF, I HAVE SET MY HAND AND IMPRINTED THE GREAT SEAL OF THE STATE OF MISSOURI, ON THIS, THE 8TH DAY OF SEPTEMBER, 1999.


Secretary of State



\$155.00



State of Missouri

Rebecca McDowell Cook, Secretary of State

P.O. Box 778, Jefferson City, MO 65102
Corporation Division

FILED
AND CERTIFICATE OF
AUTHORITY ISSUED

**Application for Foreign Corporation
for a Certificate of Authority**

SEP 08 1999

(Submit in duplicate with filing fee of \$155.00)

Rebecca McDowell Cook
SECRETARY OF STATE

- (1) The corporation's name is Essential.com, Inc.
and it is organized and existing under the laws of Delaware
- (2) The name it will use in Missouri is Essential.com, Inc.
- (3) The date of its incorporation was 10/30/98 (month/day/year),
and the period of its duration is Perpetual
- (4) The address of its principal place of business (Address/City/State/Zip)
3 Burlington Woods Drive, Burlington, Massachusetts 01803
- (5) The name and address of its registered agent and office in the State of
Missouri is (Name, Address, City/State/Zip)
C T Corporation System, 120 South Central Avenue, Clayton, Missouri 63105
- (6) The specific purpose(s) of its business in Missouri are:
To sell local and long distance telecommunications services, energy home services and
other services all in accordance with state and federal law.
- (7) The name of its officers and directors and their business addresses are as
follows:
- Officers** (Name/Address/City/State/Zip)
- President Akhil Garland, 3 Burlington Woods Drive, Burlington, Massachusetts 01803
Patrick J. Moran, 3 Burlington Woods Drive, Burlington, Massachusetts
- Vice President Linda DeRenzo, Testa, Hurwitz & Thibeault, LLP, 125 High Street, Boston,
- Secretary _____

Treasurer Patrick J. Moran, 3 Burlington Woods Drive, Burlington,
Massachusetts 01803

Board of Directors (Name/Address/City/State/Zip)

Director See attached list of directors

Director _____

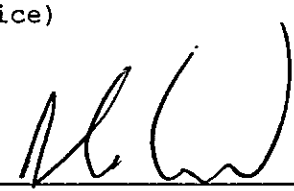
Director _____

Director _____

(8) The effective date of this document is the date it is filed by the Secretary of State of Missouri, unless you indicate a future date, as follows:

(Date may not be more than 90 days after the filing date in this office)

In affirmation thereof, the facts stated above are true.

President 

(Authorized signature of officer or chairman of the board) (Title) (Date)

8/31/99

Note: You must have a current certificate of good standing or certificate of existence with this application. This may be obtained from the Secretary of State or other authority that issues corporate charters.

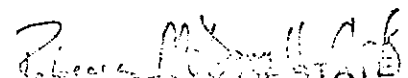
Office of Secretary of State Rebecca McDowell Cook
600 W. Main and 208 State Capitol, P.O. Box 778, Jefferson City, Missouri 65102
Telephone: (573) 751-4936

Information contained in this document was compiled using publications from the Secretary of State's Office

7/96

FILED
AND CERTIFICATE OF
AUTHORITY ISSUED

SEP 08 1999


REBECCA McDOWELL COOK
SECRETARY OF STATE

Appendix to Missouri
Application for Foreign Corporation for a Certificate of Authority

**Directors of
Essential.com, Inc.**

1. Akhil Garland
3 Burlington Woods Drive
Burlington, Massachusetts 01803
2. Patrick J. Moran
3 Burlington Woods Drive
Burlington, Massachusetts 01803
3. Scott Ungerer
EnterTech Capital, 435 Devon Park Drive, 700 Building
Wayne, Pennsylvania 19087
4. Rob Soni
Bessemer Venture Partners, 83 Walnut Street
Wellesley Hills, Massachusetts 02481
5. Christopher Kirchen
Brand Equity Ventures, Three Pickwick Plaza
Greenwich, Connecticut 06830

FILED
AND CERTIFICATE OF
AUTHORITY ISSUED

SEP 08 1999

Rebecca McDowell Cook
SECRETARY OF STATE

ESSENTIAL.COM, INC.
CLEC APPLICATION
FEBRUARY 8, 2000

APPENDIX B

EXCHANGES TO BE SERVED

P.S.C. Mo.-No 24

No supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

LOCAL EXCHANGE TARIFF
42nd Revised Sheet 9
Replacing 41st Revised Sheet 9

LOCAL EXCHANGE TARIFF

RECEIVED

FEB 29 1996

1.3 EXCHANGES BY RATE GROUP- (Continued)

1.3.4 Rate Group D(1)

Kansas City Metropolitan Exchange

Principal Zone(2)

Metropolitan
Calling Area-1 Zones
Gladstone(2)
Independence(2)
Parkville(2)
Raytown(2)
South Kansas City(2)

Metropolitan
Calling Area-2 Zones
Belton(2)
Blue Springs(2)
East Independence(2)
Lee's Summit(2)
Liberty(2)
Nashua(2)

(CP) Tiffany Springs(2)

St. Louis Metropolitan Exchange

Principal Zone (2)

Metropolitan
Calling Area-1 Zones
Ferguson(2)
Ladue(2)
Mehlville(2)
Overland(2)
Riverview(2)
Sappington(2)
Webster Groves(2)

Metropolitan
Calling Area-2 Zones
Bridgeton(2)
Creve Coeur(2)
Florissant(2)
Kirkwood(2)
(CP) Oakville(2)
Spanish Lake(2)

**MISSOURI
Public Service Commission****FILED**

MAR 30 1996

- (1) See Paragraph 1.1.3, preceding.
(2) One-party service only available.

MO. PUBLIC SERVICE COMM

Issued: FEB 29 1996

Effective: MAR 30 1996

By HORACE WILKINS, JR. President-Missouri
Southwestern Bell Telephone
St. Louis, Missouri

P.S.C. MO.-No. 24

No supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

LOCAL EXCHANGE TARIFF
32nd Revised Sheet 8
Replacing 31st Revised Sheet 8

LOCAL EXCHANGE TARIFF

(AT) 1.3 EXCHANGES BY RATE GROUP - (Continued)

(FC) 1.3.3 Rate Group C(2)

Springfield Metropolitan Exchange

Principal Zone

-Principal Zone Base Rate Area(3)

Metropolitan Calling Area-1 (MCA-1) Zones

Fair Grove(3)

Nixa(1)(3)

Republic(1)(3)

Rogersville(3)

Strafford(3)

Willard(3)

MO. PUBLIC SERVICE COMM.

- (1) Extended Area Service - See Paragraph 1.4.
(2) See Paragraph 1.1.3, preceding.
(3) One-party service only available.

FILED

JAN 11 1995

Issued: DEC 12 1994

Effective: JAN 11 1995

MISSOURI

By HORACE WILKINS, JR., President-Missouri
Southwestern Bell Telephone
St. Louis, Missouri

P.S.C. MO.-No. 24

No supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

LOCAL EXCHANGE TARIFF
65th Revised Sheet 7
Replacing 64th Revised Sheet 7

RECEIVED

LOCAL EXCHANGE TARIFF

1.3 EXCHANGES BY RATE GROUP- (Continued)

FEB 29 1996

1.3.2 Rate Group B(4)

MISSOURI
Public Service Commission

Camdenton(1) (2) (5)
Cape Girardeau(1) (2) (5)
Carthage(2) (5)
Cedar Hill(1) (2) (5)
Chesterfield(1) (5)
Chillicothe(2) (5)
DeSoto(1) (2) (5)
Dexter(1) (2) (5)
Eldon(1) (3) (5)
Excelsior Springs(5)
(CP) Farmington(1) (2) (5)
Fenton(1) (5)
Festus-Crystal City(1) (2) (5)
Flat River(1) (2) (5)
Fulton(2) (5)
Gravois Mills(1) (2) (5)
Hannibal(2) (5)
Harvester(1) (5)
High Ridge(1) (5)
Imperial(1) (2) (5)
Jackson(1) (2) (5)
Joplin(1) (2) (5)
Kennett(1) (2) (5)
Kirksville(2) (5)

Lake Ozark-Ozark Beach(1) (2) (5)
Manchester(1) (5)
Marshall(2) (5)
Maxville(1) (5)
Mexico(2) (5)
Monett(1) (3) (5)
Moberly(1) (2) (5)
Neosho(2) (5)
Nevada(1) (2) (5)
Pacific(1) (2) (5)
Perryville(1) (2) (5)
Pond(1) (5)
(CP) Poplar Bluff(1) (2) (5)
St. Charles(1) (2) (5)
St. Clair(3) (5)
St. Joseph(1) (5)
Sedalia(2) (5)
Sikeston(1) (2) (5)
Union(1) (2) (5)
Valley Park(1) (5)
Washington(3) (5)
Webb City(1) (2) (5)

FILED

- (1) Extended Area Service - See Paragraph 1.4.
(2) Message Rate Business Service obsolete-limited to existing customers
(3) Message Rate Business Service not offered.
(4) See Paragraph 1.1.3, preceding.
(5) One-party service only available.

MO. PUBLIC SERVICE COMM

Issued: FEB 29 1996

Effective: MAR 30 1996

By HORACE WILKINS, JR., President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri

P.S.C. Mo.-No. 24

No supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

LOCAL EXCHANGE TARIFF
39th Revised Sheet 6.01
Replacing 38th Revised Sheet 6.01

LOCAL EXCHANGE TARIFF

RECEIVED

1.3 EXCHANGES BY RATE GROUP- (Continued)

JAN 19 1996

1.3.1 Rate Group A- (Continued) (4)

MISSOURI
Public Service Commission

(MT)	Montgomery City(1) (2) (5)	Rushville(1) (5)	Trenton(1) (3) (5)
	Morehouse(1) (3) (5)	Ste. Genevieve(1) (2) (5)	Tuscumbia(1)
	New Franklin(1) (3) (5)	St. Marys(1) (3) (5)	(3) (5)
	New Madrid(1) (2) (5)	San Antonio(1) (5)	Versailles(1)
	Oak Ridge(1) (3) (5)	Scott City(1) (3) (5)	(3) (5)
	Old Appleton(1) (3) (5)	Senath(1) (3) (5)	Vienna(2) (5)
	Oran(1) (2) (5)	Slater(2) (5)	Walnut Grove
(MT)		Smithville(1) (3) (5)	(2) (5)
	Patton(2) (5)	Stanberry(2) (5)	Wardell(1) (2) (5)
	Paynesville (1) (2) (5)		Ware(1) (3) (5)
	Pierce City(1) (2) (5)		Wellsville(2) (5)
	Pocahontas-New Wells(1) (3) (5)		Westphalia(2) (5)
(MT)			Wyatt(1) (2) (5)
	Portage Des Sioux(2) (5)		
	Portageville(1) (2) (5)		
	Puxico(2) (5)		
	Qulin(1) (3) (5)		
	Richmond(2) (5)		
	Richwoods(2) (5)		
	Risco(1) (2) (5)		

- (1) Extended Area Service - See Paragraph 1.4.
- (2) Message Rate Business Service not offered.
- (3) Message Rate Business Service obsolete - limited to existing customers.
- (4) See Paragraph 1.1.3, preceding.
- (5) One-party service only available.

FILED

FEB 20 1996

Issued: JAN 20 1996

Effective: FEB 20 1996

MO. PUBLIC SERVICE COMM

By HORACE WILKINS, JR., President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri

P.S.C. Mo.-No. 24

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

LOCAL EXCHANGE TARIFF
55th Revised Sheet 6
Replacing 54th Revised Sheet 6

RECEIVED

LOCAL EXCHANGE TARIFF

FEB 29 1996

1.1 EXCHANGES BY RATE GROUP

1.1.1 Rate Group A(4)

MISSOURI
Public Service Commission

Adrian(1)(2)(5)
Advance(1)(2)(5)
Agency(1)(5)
Altenburg-Frohna
(1)(2)(5)
Antonia(1)(3)(5)
Archie(1)(2)(5)
Argyle(2)(5)
Armstrong(1)(2)(5)
Ash Grove(2)(5)
Beaufort(2)(5)
Bell City(1)(2)(5)
Benton(1)(3)(5)
Billings(1)(2)(5)
Bismarck(1)(3)(5)
Bloomfield(1)(3)(5)
Bloomsdale(1)(2)(5)
Bonne Terre(1)(3)(5)
Boonville(1)(2)(5)
Bowling Green(2)(5)
Brookfield(2)(5)
Campbell(2)(5)
Cardwell(1)(2)(5)
Carl Junction(1)(3)(5)

Carrollton(2)(3)(5)
Caruthersville(1)(3)(5)
Center(2)(5)
Chaffee(1)(3)(5)
Charleston(1)(3)(5)
Clarksville(1)(2)(5)
Clever(1)(3)(5)
(CP) Climax Springs(2)(5)
Deering(1)(3)(5)
DeKalb(1)(5)
Delta(1)(2)(5)
Downing(2)(5)
East Prairie(1)(5)
Edina(2)(5)
Elsberry(1)(2)(5)
Essex(1)(3)(5)
Eureka(1)(5)
(CP) Farley(2)(5)
Fayette(1)(2)(5)
Fisk(1)(3)(5)
Frankford(2)(5)
(CP) Fredericktown(2)(5)
Freeburg(2)(5)
Gideon(1)(2)(5)
Glasgow(1)(3)(5)

Grain Valley
(1)(3)(5)
Gray Summit(1)(3)(5)
(CP) Greenwood(1)(3)(5)
Hayti(1)(3)(5)
Herculanum-Pevely
(1)(3)(5)
Higbee(1)(3)(5)
Hillsboro(1)(3)(5)
Holcomb(1)(3)(5)
Hornersville
(1)(2)(5)
Jasper(2)(5)
Knob Noster(2)(5)
Lamar(2)(5)
LaMonte(2)(5)
Lancaster(2)(5)
Leadwood(1)(3)(5)
Lilbourn(1)(2)(5)
(CP) Linn(2)(5)
Lockwood(2)(5)
Louisiana(1)(2)(5)
Macks Creek(2)(5)
Malden(1)(2)(5)
(CP) Marble Hill(2)(5)
Marceline(2)(5)
Marionville(2)(5)
Marston(1)(2)(5)
Meta(2)(5)

- (1) Extended Area Service - See Paragraph 1.4.
- (2) Message Rate Business Service not offered.
- (3) Message Rate Business Service obsolete - limited to existing customers.
- (4) See Paragraph 1.1.3, preceding.
- (5) One-party service only available.

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Issued:

FEB 29 1996

Effective:

MAR 30 1996

MAR 30 1996

By HORACE WILKINS, JR., President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri

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G. Local Exchange Listings (Cont'd)

1. Exchange Listings (Includes EAS Points, EAS Rate Component, Rate Schedule and Rate Group) (Cont'd)

<u>Exchange Name</u>	<u>EAS Points</u>	<u>EAS Rate Component</u>		<u>Rate Sch./Group</u>
		<u>Bus.</u>	<u>Res.</u>	
Walker	Eldorado Springs, Schell City	\$3.65	\$3.65	A-1
Warrenton	-	-	-	A-3
Washburn	Cassville, Exeter	3.65	3.65	A-1
Wasola	Gainesville, Theodosia	3.65	3.65	A-1
Wayland(*)	Kahoka	.90	.50	A-1
Weaubleau	-	-	-	A-1
Wentzville	-	-	-	Metro
West Plains	-	-	-	A-4
West Quincy	Quincy	3.65	3.65	A-1
Wheatland	-	-	-	A-2
Whitesville	Bolckow, Rosendale, Savannah	10.55	5.70	A-1
Willow Springs	-	-	-	A-2
Winfield	Foley, Old Monroe	2.35	2.35	A-2
Winona	-	-	-	A-1
Woodridge	-	-	-	A-1
Wright City	Foristell	1.90	1.90	A-2

(*) Includes customers in Base Rate Area Alexandria.

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G. Local Exchange Listings (Cont'd)

1. Exchange Listings (Includes EAS Points, EAS Rate, Component Rate, Schedule and Rate Group) (Cont'd)

MISSOURI
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<u>Exchange Name</u>	<u>EAS Points</u>	<u>EAS Rate Component</u>		<u>Rate Sch./Group</u>
		<u>Bus.</u>	<u>Res.</u>	
Sparta	-	-	-	A-2
Stewartsville	-	-	-	A-1
Stoutsville	-	-	-	A-1
Sturgeon	Centralia, Clark	\$1.95	\$1.05	A-1
Summersville	-	-	-	A-2
Thayer	Koshkonong, Mammoth Springs, AR	2.35	2.35	A-2
Theodosia	Gainesville, Wasola	3.65	3.65	A-1
Thomasville	Alton	3.20	3.20	A-1
Timber	-	-	-	A-1
Trimble	Plattsburg	4.15	2.25	A-1
Troy	Hawk Point, Moscow Mills	2.50	2.50	A-3
Truxton	-	-	-	A-1
Turney	Plattsburg	5.15	2.80	A-1
Urbana	-	-	-	A-2
Van Buren	-	-	-	A-2
Vanzant	-	-	-	A-1
Vichy	-	-	-	A-1

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LOCAL EXCHANGE SERVICE

G. Local Exchange Listings (Cont'd)

MISSOURI
Public Service Commission

1. Exchange Listings (Includes EAS Points, EAS Rate Component, Rate Schedule and Rate Group) (Cont'd)

<u>Exchange Name</u>	<u>EAS Points</u>	<u>EAS Rate Component</u>		<u>Rate Sch./Group</u>
		<u>Bus.</u>	<u>Res.</u>	
Raymondville	Houston	\$3.30	\$3.30	A-1
Reeds Spring	-	-	-	A-2
Revere	Kahoka	2.90	2.90	A-1
Roby	Houston	3.45	3.45	A-1
Rocheport	Columbia	6.15	3.35	A-1
Rockaway Beach	-	-	-	A-2
Rockville	Schell City	2.00	2.00	A-1
Rosendale	Bolckow, Fillmore, Savannah, Whitesville	7.90	4.25	A-1
St. James	Safe	.10	.10	A-3
St. Peters	Harvester	1.00	1.00	Metro
Safe	St. James	.75	.75	A-1
Santa Fe	-	-	-	A-1
Sarcoxi	-	-	-	A-2
Savannah	Amazonia, Avenue City, Bolckow, Cosby, Fillmore, Helena, Rosendale, Whitesville	2.60	1.40	A-3
Schell City	Eldorado Springs, Rockville, Walker	3.65	3.65	A-1
Seymour	-	-	-	A-2
Shelbina	-	-	-	A-2
Shelbyville	-	-	-	A-1
Sheldon	Milo	2.60	2.60	A-1
Shell Knob	-	-	-	A-2

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LOCAL EXCHANGE SERVICE

JUL 1 1996

G. Local Exchange Listings (Cont'd)

1. Exchange Listings (Includes EAS Points, EAS Rates, and Service Commission Schedule and Rate Group) (Cont'd)

MISSOURI

Missouri Public Service Commission

Exchange Name	EAS Points	EAS Rate Component		Rate Sch./Group
		Bus.	Res.	
Nebo	-	-	-	A-1
New Melle	-	-	-	Metro
Niangua	-	-	-	A-1
Norwood	-	-	-	A-1
Oates	-	-	-	A-1
O'Fallon	-	-	-	Metro
Old Monroe	Foley, Winfield	\$3.30	\$3.30	A-1
Osborn	-	-	-	A-1
Osceola	-	-	-	A-2
Ozark	Highlandville	2.15	2.15	A-3
Palmyra	-	-	-	A-2
Paris	-	-	-	A-2
Perry	-	-	-	A-1
Pittsburg	-	-	-	A-1
Plattsburg	Gower, Trimble, Turney	1.80	1.00	A-2
Potosi	-	-	-	A-3
Prairie Home	-	-	-	A-1
Preston	-	-	-	A-1
Protem	Forsyth	.75	.75	A-1

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LOCAL EXCHANGE SERVICE

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G. Local Exchange Listings (Cont'd)

1. Exchange Listings (Includes EAS Points, EAS Rate Component, Rate Schedule and Rate Group) (Cont'd)

MISSOURI

Public Service Commission

<u>Exchange Name</u>	<u>EAS Points</u>	<u>EAS Rate Component</u>		<u>Rate Sch./Group</u>
		<u>Bus.</u>	<u>Res.</u>	
LaBelle	-	-	-	A-1
Ladonia	-	-	-	A-1
LaGrange	-	-	-	A-1
La Plata	Elmer	\$1.80	\$1.80	A-2
Lawson	-	-	-	A-2
Leasburg	-	-	-	A-1
Lesterville	-	-	-	A-1
Lewistown	-	-	-	A-1
Licking	-	-	-	A-2
Louisburg	-	-	-	A-1
Lowry City	-	-	-	A-1
Macon	-	-	-	A-3
Manes	Grovespring,			
	Hartville	3.65	3.65	A-1
Mano	Cassville	3.65	3.65	A-2
Mansfield	-	-	-	A-2
Marshfield	Elkland	.90	.90	A-3
Marthasville	-	-	-	A-1
Maysville	-	-	-	A-2
Milo	Nevada, Sheldon	3.65	3.65	A-1
Monroe City	-	-	-	A-2
Montauk Park	-	-	-	A-1
Monticello	-	-	-	A-1
Morrison	-	-	-	A-1
Moscow Mills	Troy	3.65	3.65	A-1
Mount Sterling	-	-	-	A-1
Mt. Vernon	-	-	-	A-3
Mtn. Grove	-	-	-	A-3
Mtn. View	-	-	-	A-2

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G. Local Exchange Listings (Cont'd)

1. Exchange Listings (Includes EAS Points, EAS Rate Component, Rate Schedule and Rate Group) (Cont'd)

<u>Exchange Name</u>	<u>EAS Points</u>	<u>EAS Rate Component</u>		<u>Rate Sch./Group</u>
		<u>Bus.</u>	<u>Res.</u>	
Hermann	-	-	-	A-2
Hermitage	-	-	-	A-1
High Hill	-	-	-	A-1
Highlandville	Ozark	\$2.65	\$2.65	A-2
Holstein	-	-	-	A-1
Houston	Raymondville, Rody	2.80	2.80	A-2
Humansville	-	-	-	A-2
Hunnewell	-	-	-	A-1
Hurley	-	-	-	A-1
Irondale	-	-	-	A-1
Ironton	-	-	-	A-3
Jamestown	-	-	-	A-1
Jenkins	Cassville	3.65	3.65	A-1
Jerico Springs	-	-	-	A-1
Jonesburg	-	-	-	A-1
Kahoka	Luray, Revere, Wayland	.95	.50	A-2
Keytesville	Dalton	2.35	2.35	A-1
Kidder	Cameron, Hamilton	6.10	3.30	A-1
Kimberling City	-	-	-	A-2
Kingston	Hamilton	1.40	.75	A-1
Koshkonong	Thayer	3.15	3.15	A-1

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GENERAL AND LOCAL EXCHANGE TARIFF

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G. Local Exchange Listings (Cont'd)

1. Exchange Listings (Includes EAS Points, EAS Rate Component, Rate Schedule and Rate Group) (Cont'd)

<u>Exchange Name</u>	<u>EAS Points</u>	<u>EAS Rate Component</u>		<u>Rate Sch./Group</u>
		<u>Bus.</u>	<u>Res.</u>	
Fillmore	Rosendale, Savannah	\$5.60	\$3.05	A-1
Foley	Old Monroe, Winfield	3.45	3.45	A-1
Fordland	-	-	-	A-2
Foristell	Wright City	1.00	1.00	Metro
Forsyth	Bradleyville, Cedar Creek, Protem	1.75	1.75	A-3
Fremont	-	-	-	A-1
Gainesville	Caulfield, Dora, Theodosia, Wasola	3.65	3.65	A-2
Galena	-	-	-	A-2
Golden City	-	-	-	A-1
Gorin	-	-	-	A-1
Gower	Easton, Plattsburg	2.00	1.10	A-1
Greenfield	Arcola	1.80	1.80	A-2
Grovespring	Hartville, Manes	3.65	3.65	A-1
Hallsville	Columbia	3.70	2.00	A-2
Hamilton	Kidder, Kingston	.80	.45	A-2
Hartville	Grovespring, Manes	2.95	2.95	A-2
Hawk Point	Troy	3.65	3.65	A-1
Helena	Avenue City, Cosby, Savannah	5.75	3.10	A-1

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GENERAL AND LOCAL EXCHANGE TARIFF

LOCAL EXCHANGE SERVICE

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G. Local Exchange Listings (Cont'd)

1. Exchange Listings (Includes EAS Points, EAS Rate Component, Rate Schedule and Rate Group) (Cont'd)

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MISSOURI

State Service Commission

Exchange Name	EAS Points	EAS Rate Component		Rate Sch./Group
		Bus.	Res.	
Cosby	Avenue City, Helena, Savannah	\$9.45	\$5.10	A-1
Crane	-	-	-	A-2
Cross Timbers	-	-	-	A-1
Cuba	-	-	-	A-3
Dadeville	-	-	-	A-1
Dalton	Keytesville	2.35	2.35	A-1
Dardenne/ Lake St. Louis	-	-	-	Metro
Defiance	-	-	-	Metro
Dora	Gainesville	3.65	3.65	A-1
Easton	Gower	1.10	.60	A-1
Edgar Springs	-	-	-	A-1
Eldorado Springs	Schell City, Walker	2.45	2.45	A-3
Elkland	Marshfield	1.90	1.90	A-1
Ellsinore	-	-	-	A-1
Elmer	La Plata	3.20	3.20	A-1
Eminence	-	-	-	A-1
Everton	-	-	-	A-1
Ewing	-	-	-	A-1
Exeter	Cassville, Washburn	3.65	3.65	A-1

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State Director-External Affairs
Wentzville, Missouri

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Section 4

1st Revised Sheet 7

Cancels Original Sheet 7

GENERAL AND LOCAL EXCHANGE TARIFF

LOCAL EXCHANGE SERVICE

G. Local Exchange Listings (Cont'd)

1. Exchange Listings (Includes EAS Points, EAS Rate Component, Rate Schedule and Rate Group) (Cont'd)

MISSOURI
Public Service Commission

<u>Exchange Name</u>	<u>EAS Points</u>	<u>EAS Rate Component</u>		<u>Rate Sch./Group</u>
		<u>Bus.</u>	<u>Res.</u>	
Braymer	-	-	-	A-1
Bronaugh-Moundville	-	-	-	A-1
Brunswick (Triplett)	-	-	-	A-1
Buffalo	-	-	-	A-3
Bunker	-	-	-	A-1
Cabool	-	-	-	A-2
Caledonia	-	-	-	A-1
Cameron	Kidder	\$.40	\$.20	A-3
Canton	-	-	-	A-2
Cape Fair	-	-	-	A-2
Cassville	Exeter, Jenkins, Mano, Washburn	2.90	2.90	A-3
Caulfield	Gainesville	3.10	3.10	A-2
Cedar Creek	Forsyth	.75	.75	A-1
Centerville	-	-	-	A-1
Centralia	Clark, Sturgeon	.55	.30	A-2
Chamois	-	-	-	A-1
Clarence	-	-	-	A-1
Clark	Centralia, Sturgeon	3.55	1.90	A-1
Clarksdale	-	-	-	A-1
Collins	-	-	-	A-1
Columbia	Ashland, Hallsville, Rocheport	.30	.15	A-5
Concordia	-	-	-	A-2
Conway	-	-	-	A-2

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GENERAL AND LOCAL EXCHANGE TARIFF

LOCAL EXCHANGE SERVICE

G. Local Exchange Listings

1. Exchange Listings (Includes EAS Points, EAS Rate Component, Rate Schedule and Rate Group)

Exchange Name	EAS Points	EAS Rate Component		Rate Sch./Group
		Bus.	Res.	
Alton	Thomasville	\$ 1.80	\$ 1.80	A-2
Amazonia	Savannah	4.50	2.45	A-1
Annapolis	-	-	-	A-1
Arcola	Greenfield	3.20	3.20	A-1
Ashland	Columbia	2.85	1.55	A-2
Augusta	-	-	-	Metro
Aurora	-	-	-	A-3
Ava	-	-	-	A-3
Avenue City	Cosby, Helena, Savannah	4.90	2.65	A-1
Avilla	-	-	-	A-1
Belgrade	-	-	-	A-1
Belle	-	-	-	A-2
Bellevue	-	-	-	A-1
Birch Tree	-	-	-	A-1
Bland	-	-	-	A-1
Blue Eye	-	-	-	A-2
Bolckow	Rosendale, Savannah, Whitesville	6.95	3.75	A-1
Boss	-	-	-	A-1
Bourbon	-	-	-	A-2
Bradleyville	Forsyth	.75	.75	A-1
Branson	Branson West	1.65	1.65	A-4
Branson West	Branson	2.65	2.65	A-2

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UNITED TELEPHONE COMPANY
OF MISSOURI

GENERAL EXCHANGE TARIFF

First Revised Page 2
Cancels Original Page 2

LOCAL EXCHANGE SERVICE RATE GROUPS

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I. ACCESS LIMITS AND EXCHANGES BY RATE GROUPS: (Cont'd)

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B. EXCHANGES IN EACH RATE GROUP IN "A" ABOVE

MISSOURI
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Appleton City	Blackburn	Blairstown	Brazito	(MT)
Calhoun	Camden Point	Centertown	Centerview	
Chilhowee	Clarksburg	Coal	Craig	
Dearborn	Deepwater	Edgerton	Eugene	
Fairfax	Green Ridge	Hardin	Henrietta	
Holt	Hopkins	Houstonia	Ionia	
King City	Kingsville	Leeton	Lincoln	
Malta Bend	Missouri City	Montrose	New Bloomfield	
Newburg	Norborne	Orrick	Otterville	
Pickering	Russellville	St. Thomas	Smithton	
Strasburg	Sweet Springs	Syracuse	Taos	
Tarkio	Tipton	Urich	Waverly	
Wellington				(MT)

II

Buckner	Butler	California	Cole Camp	
Holden	Kearney	Lake Lotawana	Lexington	(MT)
Lone Jack	Mound City	Odessa	Platte City	
Pleasant Hill	Richland	St. Robert	Waynesville	
Weston	Windsor			(MT)

III

Clinton	Ferrelview	Ft. Leonard Wood	Harrisonville	(MT)
Lebanon	Maryville	Oak Grove	Rolla	
Salem	Warrensburg	Warsaw		(MT)

IV

Jefferson City

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94 - 237**MISSOURI**
Public Service CommissionISSUED:
February 3, 1994BY: John L. Roe
Vice President - Administration
5454 West 110th Street
Overland Park, Kansas 66211

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~~MARCH 8, 1994~~
FEB 21 1994

ESSENTIAL.COM, INC.
CLEC APPLICATION
FEBRUARY 8, 2000

APPENDIX C

MANAGERIAL QUALIFICATIONS

APPENDIX C

List Of Principal Officers With Relevant Operational Experience

Mr. Akhil Garland, Chairman and CEO

Mr. Garland has managed MIS departments for the State of Massachusetts and an international health care company. He is an entrepreneur, having founded and sold a multimedia company. Mr. Garland brings to Essential.com a long-range vision as well as a capacity to manage growth through innovative and leading edge information systems. He earned a B.A. in Computer Science and Mathematics from Connecticut College.

Mr. John Duffy, Vice President, Business Development – Telecommunications Markets

Mr. Duffy comes to Essential.com from Metromedia International Telecommunications where he served as Vice President of Paging Operations. In that capacity, he managed 13 paging joint ventures located in Eastern Europe, Russia, and Central Asia. Mr. Duffy was directly involved in strategic relationships between Metromedia and vendors, including Motorola, NEC, and Philips. Previously, he was with Metrocall, Inc. for five years in several senior management positions, including Director of Carrier Relations, where he oversaw the ongoing relationship between large carriers and resellers throughout the country. Mr. Duffy holds a B.A. in Economics from LaSalle University.

Ms. Libby Curtis, Director of Web Development

Prior to joining Essential.com Libby Curtis was Director, Web Development for Cendant Corporation, where she managed a sixteen-person web development group. Ms. Curtis managed the development of several complex sites including Ramada, Days Inn, and Century 21. Prior to Cendant, Ms. Curtis was Human Factors Designer for The NetMarket Company where she designed and integrated user interfaces for several web projects including NetMarket, an on-line shopping service. Ms. Curtis received her BS in Marketing from Plymouth State College.

Mr. Ivar Wold, Senior Vice President and Chief Technology Officer

Mr. Wold brings over 30 years of experience in engineering, and is one of the Web's leading innovators in eCommerce technology. Prior to joining Essential.com, Mr. Wold was a Senior Vice President at Fidelity Investments Retail Electronic Commerce where he was responsible for the Architecture and Development of Fidelity's Retail Online products. Fidelity's retail Website is one of the busiest in the financial services industry, with more than 2.5 million on-line accounts. Earlier in his career, Mr. Wold worked at leading corporations, such as Inprise (previously Borland International), Lotus Development and Microsoft. He also held senior positions at Analog Devices. Mr. Wold received a B.Sc (Eng) in Aeronautics and Astronautics from Southampton

University in England where he graduated with First Class Honors. He is the holder of multiple patents, and his inventions have been manufactured and sold commercially around the world.

David Wheeler – Vice President of Operations

Mr. Wheeler is a consultant to the company and presently serves as our Vice President of Operations. Mr. Wheeler has over 20 years of experience in managing large customer fulfillment and customer service functions. Prior to joining Essential.com, Mr. Wheeler served as the general manager for Sky Subscriber Services, Ltd., a division of Sky Television, the leading satellite television broadcaster in the U.K. from 1989 to 1998. In this role, he was responsible for the management of over 3.5 million subscribers, collection of revenues exceeding \$1.5 billion, and over 2,500 employees. From 1975 to 1989, Mr. Wheeler was with Book Club Associates in U.K. where he was responsible for the design and implementation of their customer management computer systems and eventually had general management responsibility for all matters relating to customer service.

Mr. Basil Pallone, Director of Finance and Controller, Treasurer

Mr. Pallone has 19 years of financial experience in a diverse group of energy related companies, including start up ventures and publicly held electric utilities. Before joining Essential.com, Mr. Pallone was CFO of Energy Vision, a start up retail marketer of energy and energy services which was acquired by Williams Energy. Prior to Energy Vision, he served as Executive Vice President for EUA Cogenex Corporation, a \$75 million revenue energy management company. Mr. Pallone also spent three years as Assistant Treasurer at Eastern Utilities Associates where he was in charge of preparing annual and quarterly reports to shareholders and SEC filings. Mr. Pallone spent the first ten years of his career in various financial positions at Boston Edison Company.

Mr. Patrick Moran, Vice President, Secretary

Mr. Moran earned a B.S. in Mass Communications from Emerson College, where he focussed on media communications and computer technologies. He has been involved in entrepreneurial activities since graduating from Emerson and is currently responsible for back office administration at Essential.com.

ESSENTIAL.COM, INC.
CLEC APPLICATION
FEBRUARY 8, 2000

APPENDIX D

FINANCIAL INFORMATION



Financial Statements

December 31, 1998

(Audited)

and

September 1999

(Unaudited – for management purposes only)

Essential.com
Financial Statements
December 31, 1998
(Audited)
and
September 1999
(Unaudited – For Management Purposes Only)

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Balance Sheet, December 31, 1998 and Year-to-date	F-2
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
essential.com, inc.:

We have audited the accompanying balance sheet of essential.com, inc. (a Delaware corporation) as of December 31, 1998, and the related statements of operations, changes in redeemable convertible preferred stock and stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of essential.com, inc. as of December 31, 1998, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Boston, Massachusetts
August 3, 1999

ESSENTIAL.COM, INC.

BALANCE SHEETS

	December 31, 1998	September 30, 1999 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 14,119	\$ 9,821,656
Accounts receivable, net of reserves of approximately \$26,000 and \$31,000 in 1998 and 1999, respectively	21,117	64,498
Prepaid expenses and other current assets	<u>1,543</u>	<u>7,263</u>
Total current assets.....	36,779	9,893,417
Property and equipment, at cost:		
Computer and office equipment.....	115,060	679,964
Furniture, fixtures and automobiles	<u>19,237</u>	<u>15,541</u>
Total property and equipment	134,297	695,505
Less—accumulated depreciation.....	<u>37,828</u>	<u>169,564</u>
Total net property and equipment	96,469	525,941
Intangible assets, net of accumulated amortization of \$3,900 in 1999.....	—	336,651
Other Assets.....	9,580	51,325
Deferred financing costs.....	—	<u>375,065</u>
Total assets.....	<u>\$ 142,828</u>	<u>\$ 11,182,399</u>
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable to related party.....	\$ 248,560	\$ —
Advance on convertible notes payable.....	20,000	—
Current portion of deferred payments	33,702	360,153
Accounts payable	207,679	695,481
Accrued payroll and related costs	129,356	223,359
Accrued other expenses.....	<u>32,211</u>	<u>451,991</u>
Total current liabilities	671,508	1,730,984
Deferred payments, net of current portion	<u>40,154</u>	<u>—</u>
Commitments (Note L)		
Redeemable Convertible Preferred Stock:		
Series A redeemable convertible preferred stock, \$.01 par value		
Authorized—2,830,726 shares in 1999, issued and outstanding—2,830,726 shares in 1999 stated at redemption value, net of unaccreted expenses	—	2,839,142
Series B redeemable convertible preferred stock, \$.01 par value		
Authorized—6,606,867 shares in 1999, issued and outstanding—6,332,125 shares in	—	12,193,622
Stockholders' deficit:		
Common stock, \$.01 par value—authorized—19,166,451 shares, issued and outstanding—5,233,897 and 4,482,802 shares in 1998 and 1999, respectively.....	52,339	44,828
Additional paid-in capital	16,408	489,975
Warrants	—	327,065
Deferred compensation.....	—	(451,907)
Accumulated deficit.....	<u>(637,581)</u>	<u>(5,991,310)</u>
Total stockholders' deficit	(568,834)	(5,581,349)
Total liabilities, redeemable convertible, preferred stock and stockholders' deficit.....	<u>\$ 142,828</u>	<u>\$ 11,182,399</u>

The accompanying notes are an integral part of these financial statements.

ESSENTIAL.COM, INC.
STATEMENTS OF OPERATIONS

	Year Ended December 31, 1998	Nine Months Ended September 30, 1999 (Unaudited)	Three Months Ended September 30, 1999 (Unaudited)
Revenue.....	\$ 141,549	\$ 165,210	\$ 79,212
Cost of revenue	<u>165,691</u>	<u>184,208</u>	<u>86,692</u>
Gross loss	(24,142)	(18,998)	(7,480)
Operating expenses:			
Research and development	71,459	1,023,908	492,454
General and administrative	338,299	1,805,525	1,129,842
Selling and marketing	133,045	1,696,024	1,302,603
Customer service	<u>—</u>	<u>526,045</u>	<u>313,197</u>
Total operating expenses	<u>542,803</u>	<u>5,051,502</u>	<u>3,238,096</u>
Loss from operations	(566,945)	(5,070,500)	(3,245,576)
Interest and other income	—	122,087	79,080
Interest expense	<u>17,336</u>	<u>147,549</u>	<u>9,926</u>
Net loss.....	(584,281)	(5,095,962)	(3,176,422)
Preferred stock dividends and accretion.....	<u>—</u>	<u>257,767</u>	<u>240,565</u>
Net loss attributable to common stockholders	<u>\$ (584,281)</u>	<u>\$ (5,353,729)</u>	<u>\$ (3,380,987)</u>

The accompanying notes are an integral part of these financial statements.

ESSENTIAL.COM, INC.

STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1998 AND
THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 1999

	Series A Redeemable Convertible Preferred Stock		Series B Redeemable Convertible Preferred Stock		Common Stock		Additional	Warrants	Deferred Compensation	Accumulate d Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	\$.01 Par Value	Paid-In Capital				Stockholders' Deficit
BALANCE, DECEMBER 31, 1997	-	\$-	-	\$-	4,194,287	\$41,943	\$(4,977)	\$-	\$-	\$(53,300)	\$(16,334)
Issuance of common stock					1,039,610	10,396	21,385				31,781
Net loss	=	=	=	=	=	=	=	=	=	\$(584,281)	\$(584,281)
BALANCE, DECEMBER 31, 1998	-	-	-	-	5,233,897	52,339	16,408	-	-	(637,581)	(568,834)
Exercise of common stock options	-	-	-	-	28,612	286	592	-	-	-	878
Repurchase of common stock	-	-	-	-	(779,707)	(7,797)	(16,039)	-	-	-	(23,836)
Deferred compensation on options granted to consultants	-	-	-	-	-	-	489,014	-	(489,014)	-	-
Amortization of deferred compensation	-	-	-	-	-	-	-	-	37,107	-	37,107
Issuance of Series A redeemable convertible preferred stock, net of issuance costs of \$98,697	2,096,410	1,997,713	-	-	-	-	-	-	-	-	-
Conversion of notes to Series A preferred stock	734,316	734,316	-	-	-	-	-	-	-	-	-
Issuance of Series B redeemable convertible preferred stock, net of issuance costs of \$57,032	-	-	6,332,125	12,042,968	-	-	-	-	-	-	-
Accretion of redeemable convertible preferred stock to liquidation value	-	107,113	-	150,654	-	-	-	-	-	(257,767)	(257,767)
Warrants granted in connection with subordinated loan	-	-	-	-	-	-	-	327,065	-	-	327,065
Net loss	=	=	=	=	=	=	=	=	=	\$(5,095,962)	\$(5,095,962)
BALANCE, SEPTEMBER 30, 1999 (UNAUDITED)	<u>2,830,726</u>	<u>\$2,839,142</u>	<u>6,332,125</u>	<u>\$12,193,622</u>	<u>4,482,802</u>	<u>\$44,828</u>	<u>\$489,975</u>	<u>\$327,065</u>	<u>\$(451,907)</u>	<u>\$(5,991,310)</u>	<u>\$(5,581,334)</u>

The accompanying notes are an integral part of these financial statements.

ESSENTIAL.COM, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1998	Nine Months Ended September 30, 1999 (Unaudited)
Cash flows from operating activities:		
Net loss	\$ (584,281)	\$ (5,095,962)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest expense convertible notes	—	119,316
Depreciation and amortization	31,807	164,202
Amortization of deferred compensation	—	37,107
(Gain) loss from disposal of assets	(651)	9,787
Changes in assets and liabilities:		
Accounts receivable	(21,117)	(43,381)
Prepaid expenses and other current assets	(493)	(5,720)
Accounts payable	169,607	487,802
Accrued expenses	153,004	513,783
Net cash used in operating activities	<u>(252,124)</u>	<u>(3,813,066)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(84,609)	(599,561)
Proceeds from sale of equipment	8,184	—
Increase in other assets	<u>(4,155)</u>	<u>(41,745)</u>
Net cash used in investing activities	<u>(80,580)</u>	<u>(641,306)</u>
Cash flows from financing activities:		
Proceeds from (payments on) notes payable to related party	224,760	(248,560)
Repurchase of common stock	—	(23,836)
Proceeds from advances on and issuance of convertible notes payable	20,000	690,000
Deferred financing costs	—	(48,000)
Proceeds from (payments on) deferred payments	64,715	(54,254)
Net proceeds from issuance of redeemable convertible preferred stock	—	14,040,681
Repayment of convertible notes payable	—	(95,000)
Proceeds from issuance of common stock	<u>31,781</u>	<u>878</u>
Net cash provided by financing activities	<u>341,256</u>	<u>14,261,909</u>
Net increase in cash and cash equivalents	8,552	9,807,537
Cash and cash equivalents beginning of period	<u>5,567</u>	<u>14,119</u>
Cash and cash equivalents end of period	<u>\$ 14,119</u>	<u>\$ 9,821,656</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 289</u>	<u>\$ —</u>
Supplemental disclosure of noncash information:		
Accretion of preferred stock dividends	<u>\$ —</u>	<u>\$ 257,767</u>
Conversion of notes payable and accrued interest to preferred stock	<u>\$ —</u>	<u>\$ 734,516</u>
Acquisition of customers	<u>\$ —</u>	<u>\$ 340,560</u>

The accompanying notes are an integral part of these financial statements.

ESSENTIAL.COM, INC.

NOTES TO FINANCIAL STATEMENTS - (Continued)

A. Organization

essential.com, inc. (essential or the Company) is a web-based reseller of various services including electricity, Internet access and phone services to small businesses and residential customers in the northeastern U.S.

The Company is devoting substantially all of its efforts towards the acquisition of new customers, development of its web site and identification of new services to be offered. The Company is subject to a number of risks similar to those of other early stage enterprises. Principal risks to the Company include the need to obtain adequate financing to fund future operations, dependence on key individuals, requirement to obtain regulatory approval, and reliance on successful marketing of services to provide profitable operations.

B. Summary of Significant Accounting Policies

The accompanying financial statements reflect the application of certain significant accounting policies, as described below and elsewhere in the accompanying notes to financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interim Financial Statements

The accompanying balance sheet as of September 30, 1999, the statements of operations for the three- and nine-month periods ended September 30, 1999 and the statements of cash flows and changes in redeemable convertible preferred stock and stockholders' deficit for the nine months ended September 30, 1999 are unaudited, but, in the opinion of management, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for these interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted, although the Company believes that the disclosures included are adequate to make the information presented not misleading. The results of operations for the nine months ended September 30, 1999 are not necessarily indicative of the results to be expected for the entire fiscal year.

ESSENTIAL.COM, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

B. Summary of Significant Accounting Policies (continued)

Cash Equivalents

The Company considers all time deposits and short-term investments with original maturities of 90 days or less to be cash equivalents. At September 30, 1999, the Company's cash equivalents are comprised of money market mutual funds and are stated at cost, which approximates market.

Revenue Recognition

The Company generates revenue principally from the resale of services including Internet access and phone services to residential and small business customers. Revenue is recognized as the services are performed.

Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash, accounts receivable, accounts payable and notes payable. The carrying amounts of the Company's financial instruments approximate their fair values.

Concentration of Credit Risk

Statement of Financial Accounting Standards (SFAS) No. 105, Disclosure of Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk, requires disclosure of any significant off-balance-sheet and credit risk concentrations. Financial instruments that subject the Company to credit risk consist primarily of accounts receivable; however, risk is limited to customers to whom the Company makes significant sales. The Company maintains an allowance for potential credit losses, but historically has not experienced any significant losses related to individual customers or groups of customers in any particular industry or geographic area. There are no customers representing greater than 10% of total revenues during 1998 or the nine months ended September 30, 1999. One customer represents greater than 10% of accounts receivable at December 31, 1998 and September 30, 1999.

Other Assets

Other assets consist primarily of security deposits at December 31, 1998 and September 30, 1999.

Advertising Costs

The Company expenses advertising costs as incurred.

Property and Equipment

Property and equipment is recorded at cost. The Company provides for depreciation using the straight-line method over the estimated useful lives, as follows:

Asset Classification	Estimated Useful Life
Computer and office equipment	3-5 years
Furniture, fixtures and automobiles	5 years

ESSENTIAL.COM, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

B. Summary of Significant Accounting Policies (continued)

Comprehensive Loss

Comprehensive loss includes net loss as well as other changes in the equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. The Company's comprehensive loss is equal to net loss for the periods presented.

Long Lived Assets

The Company's long lived assets consist of property and equipment and intangibles assets. The Company has assessed the realizability of these assets and believes that there is no material impairment of these assets to date.

Deferred Financing Costs

Deferred financing costs represents the expenses incurred obtaining the subordinated loan discussed in Note H. These costs are being amortized over the life of the related loan commitment.

C. Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under the liability method specified by SFAS No. 109, a deferred tax asset or liability is determined based on the difference between the financial statement and tax bases of assets and liabilities, as measured by currently enacted tax rates.

There are no significant differences between financial statement and tax bases of assets and liabilities as of December 31, 1998. As of December 31, 1998, the Company had net operating loss carryforwards available to offset future taxable income, if any, of approximately \$600,000. The Company has established a valuation allowance of approximately \$250,000 to offset its deferred tax asset as its future realizability is uncertain. The Internal Revenue Code contains provisions that limit the use of loss and tax credit carryforwards in the event of certain changes in the ownership, as defined. These carryforwards expire through 2018 and are subject to review and possible adjustment by the Internal Revenue Service.

D. Intangible Assets

In August and September 1999, the Company acquired the performance obligations related to two customer lists for \$223,554 and \$117,006, respectively. Under the terms of the agreements, the Company is required to pay for the customer lists in three installments through January 2000. At September 30, 1999, there was \$258,541 still payable under these agreements, which is included in deferred payments. The Company has recorded the value of these customer lists as an intangible asset and is amortizing them over 24 months, the estimated useful life of the asset.

E. Deferred Payments

During 1998 and 1999, the Company acquired certain equipment under an arrangement for deferred payments arrangement. These are payable in monthly installments of \$13,390 through May 2000. At December 31, 1998, and September 30, 1999, the outstanding principal balances

ESSENTIAL.COM, INC.

NOTES TO FINANCIAL STATEMENTS - (Continued)

E. Deferred Payments (continued)

were \$73,856 and \$101,612, respectively. As of September 30, 1999, this balance, in addition to the amount discussed in Note D, was included in deferred payments in the accompanying balance sheet.

F. Notes Payable to a Related Party

At December 31, 1998, the Company had a demand note payable to a related party totaling \$248,560, of which \$224,760 and \$23,800 were borrowed in 1998 and 1997, respectively. Interest accrues at 10% and totaled \$17,297 and \$16,992 during the year ended December 31, 1998 and the nine months ended September 30, 1999, respectively, and is included in interest expense in the accompanying statement of operations and as an accrued expense in the balance sheet at December 31, 1998. Borrowings were secured by substantially all assets of the Company. This demand note payable was repaid in August 1999.

G. Convertible Promissory Notes

In January 1999, the Company issued an aggregate of \$710,000 of Convertible Promissory Notes (the Notes) that accrued interest at a rate of 5% per annum. The Notes were convertible at the option of the noteholder, upon the Company receiving additional financing of at least \$3,000,000 on or before June 30, 1999. The conversion price of the Notes was equal to 85% of the per share price of the subsequent financing. In May and June 1999, the Company converted \$615,000 of these Notes plus accrued interest into 734,316 shares of Series A convertible preferred stock. The remaining \$95,000 plus accrued interest was repaid. In December 1998, the Company had received an advance of \$20,000 towards the purchase of the Notes. In connection with the conversion of the Notes, the Company recorded \$110,150 of interest expense in 1999 as a result of the discounted conversion rate.

H. Subordinated Loan

On September 24, 1999, the Company entered into an agreement with a financing Company that provides for a \$4 million subordinated loan and a \$1 million equipment lease line. The subordinated loan bears interest at 10% and is secured by substantially all of the assets of the Company. The subordinated loan provides for borrowings in \$250,000 increments over a 12-month period. The loan requires interest for the first six months followed by 30 equal installments of principal and interest. As of September 30, 1999, there were no borrowings outstanding under this arrangement.

In connection with this financing, the Company issued warrants for the purchase of 274,741 shares of Series B redeemable convertible preferred stock at an exercise price of \$1.91 per share, subject to certain defined adjustments. The warrants expire in seven years or three years from the effective date of the Company's initial public offering, whichever is earlier. The Company has valued these warrants, using the Black-Scholes option pricing model, at \$327,065 and has recorded the value of the warrants as a deferred financing cost, which will be amortized as interest expense over the life of the commitment.

ESSENTIAL.COM, INC.

NOTES TO FINANCIAL STATEMENTS - (Continued)

I. Stockholders' Deficit

Common Stock

The Company is authorized to issue 19,166,451 shares of common stock. During 1997, the Company issued 4,194,287 shares of common stock to the Company's founders. During 1998, the Company issued 1,039,610 shares of restricted stock to an officer of the Company at \$.03 per share through the issuance of a promissory note for \$31,781. This promissory note was repaid in November 1998. On March 17, 1999, the Company repurchased and returned to authorized status 779,707 shares of this restricted common stock for \$23,836.

Stock Splits and Dividends

In October 1998, the Company was reorganized as a Delaware corporation. In connection with this reorganization, the Company exchanged 10,000 shares of common stock for every share outstanding. In March 1999, the Company issued a stock dividend of .79 share for every one share of common stock that was issued and outstanding at that date. Additionally, in July 1999, the Company effected a stock split of 2 shares for every one share of the Company's outstanding common stock. The above transactions have been reflected retroactively for all periods presented in the accompanying financial statements.

J. Redeemable convertible Preferred Stock

During 1999, the Company issued 2,830,726 shares of Series A redeemable convertible preferred stock (Series A Preferred Stock), \$.01 par value resulting in gross proceeds of approximately \$2,096,000 and the conversion of \$615,000 notes payable (see Note 7).

During the third quarter of 1999, the Company sold 6,332,125 shares of Series B redeemable convertible preferred stock (Series B Preferred Stock), \$.01 par value per share, resulting in gross proceeds to the Company of approximately \$12,100,000.

The rights and preferences of the Series A and B Preferred Stock are as follows:

Voting

Each share of Series A and B Preferred Stock is entitled to voting rights equivalent to the number of shares of common stock into which each share can be converted into.

Conversion

Series A and B Preferred stock is convertible at the option of the stockholder into two and one shares, respectively, of common stock, subject to certain antidilutive adjustments. Conversion is automatic upon the closing of a public offering of the Company's common stock at a price per share of not less than \$1.25 per share, for Series A Preferred Stock, (adjusted for any stock dividend or stock splits) and aggregate gross proceeds of not less than \$15,000,000. Series B Preferred Stock is automatically converted upon (i) the closing of a public offering of the common stock with gross proceeds of at least \$20,000,000 and a pre-money valuation of not less than \$100 million or (ii) the election of the holders of 60% of the then-outstanding shares of Series B preferred stock.

ESSENTIAL.COM, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

J. Redeemable convertible Preferred Stock (continued)

Liquidation

In the event of a liquidation, dissolution or winding up of the Company, the holders of the Series A and B Preferred Stock are entitled to \$1.00 and \$1.91 per share, respectively, plus all accrued but unpaid dividends. In addition, after payment of the liquidation preference described in the preceding sentence, the Series A Preferred Stock is entitled to participate on an as-converted basis with the Common Stock in the remaining assets of the Company, provided that in no event shall a holder of Series A Preferred Stock be entitled to receive more than three times the liquidation preference for each share of Series A Preferred Stock.

Dividend

The Series A and B Preferred Stock each earn cumulative dividends of 8% annually. Dividends are payable in the event of a liquidation of the Company, as defined, or at the discretion of the Board of Directors. Additionally, the preferred stockholders are entitled to receive dividends at the same rate as paid to the common stockholders.

Redemption

The holders of at least a majority of the series A Preferred Stock and the Series B Preferred Stock can demand that the Company redeem its shares for the original purchase price plus any accrued and unpaid dividends thereon. Redemption may be demanded after December 31, 2003 by the holders of the Series A Preferred Stock for the Series A Preferred Stock and after July 31, 2004 by the holders by the holders of the Series B Preferred Stock for the Series B Preferred Stock. The Series A preferred stock is redeemable in three equal annual installments. The Series B preferred stock is redeemable in one lump-sum payment.

K. Stock Option Plan

In December 1998, the Company established the 1998 Stock Option and Incentive Plan (the 1998 Plan), which provides for the grant of incentive stock options and nonqualified stock options to purchase up to 2,443,942 shares of the Company's common stock. The Board of Directors has the authority to select the employees and nonemployees to whom options are granted and determine the terms of each option, including (i) the number of shares of common stock subject to the option; (ii) the date on which the option becomes exercisable; and (iii) the option exercise price. Options granted under the 1998 Plan generally vest over four years.

The following is a summary of the stock option activity for the year ended December 31, 1998 and for the nine months ended September 30, 1999:

ESSENTIAL.COM, INC.

NOTES TO FINANCIAL STATEMENTS - (Continued)

K. Stock Option Plan (continued)

	Number of Shares	Exercise Price per Share	Weighted Average Exercise Price
Granted	523,390	\$.03	\$.03
Outstanding, December 31, 1998	523,390	.03	.03
Granted	848,675	.03-.20	.09
Exercised	(28,612)	(.03)	(.03)
Terminated	(694,418)	(.03-.05)	(.04)
Outstanding, September 30, 1999	649,035	\$.03-.20	\$.11
Exercisable, September 30, 1999	12,260	\$.03	\$.03

As of September 30, 1999, options to purchase 1,766,295 shares of common stock are available for future grant under the 1998 Plan. At September 30, 1999, there were 392,124 shares outstanding at an exercise price of \$0.03 to \$0.05 per share and 256,911 shares outstanding at an exercise price of \$0.19 to \$0.20 per share.

SFAS No. 123, *Accounting for Stock-Based Compensation*, requires the measurement of the fair value of stock options or warrants to be included in the statement of operations or disclosed in the notes to financial statements. The Company has determined that it will account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS No. 123.

The Company has computed the pro forma disclosures required under SFAS No. 123 for stock options granted during 1998 and 1999 using the Black-Scholes option pricing model prescribed by SFAS No. 123. The assumptions used for 1998 were as follows: (i) risk-free interest rates of 4.65%; (ii) expected life of seven years; (iii) no dividend yield and (iv) no volatility. The assumptions used for 1999 were as follows: (i) risk free interest rates of 4.99% to 6.11%; (ii) expected life of seven years; (iii) no dividend yield and (iv) no volatility. The weighted average remaining contractual life for outstanding options granted during 1998 and 1999 is 9.2 and 9.7 years, respectively. The weighted average fair value at the date of grant for options granted during 1998 and 1999 is \$0.01 and \$0.02 per option, respectively. The total charge to operations under SFAS No. 123 for options vesting during the year ended December 31, 1998 and the nine months ended September 30, 1999 would have been approximately \$215 and \$2,117, respectively.

The effect of applying SFAS No. 123 would have been as follows:

	December 31, 1998	September 30, 1999 (Unaudited)
Net loss—		
As reported	\$ (584,281)	\$ (5,095,962)
Pro forma	(584,496)	(5,098,079)

During 1999, the Company granted 257,511 options to consultants at a weighted average exercise price of \$.15 per share. These options have been valued using the Black-Scholes option

ESSENTIAL.COM, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

K. Stock Option Plan (continued)

pricing model and the Company has recorded deferred compensation of \$489,014. The deferred compensation is being amortized over the vesting periods of the options. During the nine months ended September 30, 1999, the Company recorded \$37,107 of compensation expense.

L. COMMITMENTS

The Company has lease agreements for its facilities and certain equipment, which expire at various dates through 2003. The future minimum lease payments under these leases at December 31, 1998 are as follows:

1999	\$ 171,590
2000	159,395
2001	28,632
2002	28,632
2003	<u>4,772</u>

Total future minimum payments \$ 393,021

Rent expense for the year ended December 31, 1998 and for the nine months ended September 30, 1999 was approximately \$27,500 and \$101,000, respectively.