

In re ESSENTIAL.COM, INC. Debtor.)))))))	Chapter 11 Case No. 01-15339-WCH
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LIMITED OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO DEBTOR'S MOTION FOR ORDER AUTHORIZING (I) THE PAYMENT OF PREPETITION CUSTOMER REFUNDS AND (II) LIMITING NOTICE WITH RESPECT TO CREDITORS HOLDING SUCH CLAIMS

The Official Committee of Unsecured Creditors (the "Committee") of Essential.com, Inc. (the "Debtor"), hereby objects to the Debtor's motion to for authority to pay prepetition customer refunds (the "Motion"). In further support the Committee provides as follows:

Background

1. On June 29, 2001, the Debtor filed a voluntary petition for relief under chapter 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Massachusetts (the "Petition Date").

2. The Debtor continues to operate as debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

3. On July 18, 2001, the United States Trustee appointed an Official Committee of Unsecured Creditors consisting of three of the Debtor's unsecured creditors. The Committee's application to employ Gadsby Hannah LLP as counsel was filed on August 8, 2001, and is currently pending before this Court.

4. Prior to the Petition Date the Debtor was in the business of reselling telecommunications services, including long-distance and local telephone service and

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internet service. As of the Petition Date the Debtor had approximately 70,000 active subscribers in its customer base consisting predominately of households and small businesses. The Debtor's customer base constitutes its chief asset.

5. Motions dated July 26 and 27 (the "Sale Motion") the Debtor sought authority to sell its customer base and associated accounts receivable, together with the Debtor's name, trademarks, and similar intangibles, for a total sale price of approximately \$925,000.

6. On August 9, 2001, the Court conducted an auction on the Debtor's motion, generating numerous bids, and an eventual sale price of \$1,300,000 to USA Telecom. The Creditors' Committee was instrumental in working with the Debtor, potential bidders, the United States Trustee's Office, and other parties to generate bids and facilitate the Debtor's sale efforts.

7. The Debtor has also filed a motion on August 8, 2001 to liquidate its furniture, fixtures and equipment (the "FF&E") at public auction.

8. The Debtor is currently in the process of transferring its customer base to USA Telecom. The Debtor has ceased business operations with the limited exception of actions necessary to accomplish the smooth transfer. Upon information and belief, the Debtor is terminating employees who are not critical to the transfer.

Committee's Limited Objection

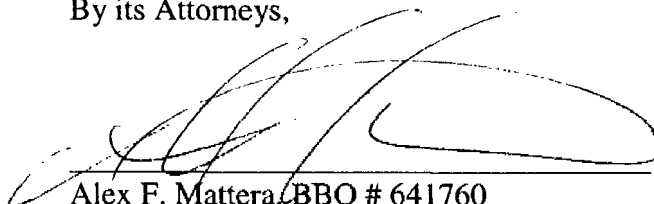
9. The Debtor in its Motion seeks authority to pay certain prepetition customer refunds. The Committee has no objection to the Court entering an order authorizing, but not requiring, the Debtor to pay customer refunds. The Committee requests that this Court deny

the motion to the extent that it prejudices the Debtor's right of recoupment for unpaid accounts receivable for each customer entitled to a refund.

WHEREFORE, for the foregoing reasons the Committee respectfully requests that this Court enter an order denying the Motion to the extent it prejudices the Debtor's right of recoupment against customers to which a refund is due.

Respectfully submitted,

OFFICIAL COMMITTEE OF
UNSECURED CREDITORS,
By its Attorneys,



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Date: August 20, 2001