



City of Philadelphia

MAYOR'S OFFICE OF COMMUNICATIONS

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FOR IMMEDIATE RELEASE

CITY OF PHILADELPHIA AND PGW REACH NO-FAULT AGREEMENT WITH DANELLA COMPANIES, INC.

Philadelphia, January 7, 2014 – The City of Philadelphia and Philadelphia Gas Works reached a no-fault agreement with Danella Companies, Inc., a PGW contractor, as a result of an Office of the Inspector General investigation into all PGW and City paving contracts. Danella Companies, Inc. (Danella) agreed to pay more than \$2 million to the City and PGW to settle claims that it overbilled for construction materials for paving jobs. Danella denied any wrong doing as part of the no-fault settlement and cooperated with the investigation.

“This agreement sends a clear message to contractors that the City of Philadelphia will not tolerate being overcharged,” said Mayor Michael A. Nutter. “I want to commend Inspector General Amy Kurland and the Inspector General’s Office staff for their diligence and hard work.”

Danella, a Plymouth Meeting based company which was doing business at the time as Danella Construction Corp., had contracts with PGW to reconstruct and pave City streets as part of the utility’s infrastructure-modernization efforts to replace aging underground cast iron pipes with more modern, polyethylene pipe. These projects generally involved work that covered entire blocks. The contracts were valued at more than \$22 million, a portion of which was for paving.

An OIG investigation, undertaken at the request of PGW, found significant discrepancies in the amount of construction paving material for which Danella billed PGW and the amount of material Danella actually installed. As part of the investigation, PGW obtained about 400 core samples from paving work at various projects since 2010. The core samples – which were analyzed by the OIG, PGW engineers and an independent engineering firm – established that rather than the required amounts of concrete and asphalt, the roadbeds in many instances contained less.

A review of Danella’s invoices also found that because Danella had not provided the required amount of concrete and asphalt specified in the paving contracts, it had significantly overbilled PGW approximately \$1.75 million for construction materials not installed.

“We were happy to work closely with PGW to ensure that contractors meet their obligations,” said Inspector General Amy



L. Kurland. “At a time when every dollar matters, it’s important that companies that have the privilege of doing business with the City and City-related agencies bill only for the work they have properly completed.”

As part of the settlement, Danella has agreed to pay \$1,836,000 to PGW, the amount Danella overcharged plus the cost of the core samples. In addition, Danella will pay the City \$525,000 as a penalty and agreed to enhance significantly its corporate compliance program to protect against future shortages. Danella has agreed to guarantee the work for three years against any problems as a result of the shortages.

“This settlement is a win for PGW ratepayers,” added PGW President and Chief Executive Officer Craig E. White. “It means that we can dedicate every dollar possible to upgrading our infrastructure while keeping rates low for our customers.”

The full Settlement Agreement and Executive Summary of the investigation can be found on the OIG’s website: www.phila.gov/ig/reports.