

## State official could profit in trade deal

**COAL: Gregg Renkes holds stock in Denver company KFx.**

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Alaska's attorney general stands to personally profit if a high-profile trade deal with Taiwan goes through involving coal from the Beluga fields on the western shores of Cook Inlet.

Gov. Frank Murkowski recently announced to much fanfare that Taiwan will encourage a state-owned utility to buy large volumes of Beluga coal. The high-moisture coal would first go through a drying process patented by a Denver company called KFx Inc.

Murkowski did not mention that his attorney general, Gregg Renkes, is a KFx stockholder who has been actively buying and selling shares in the company as recently as August, according to his public filings. He also failed to disclose that Renkes has ties to KFx dating back to at least 1998, including as a paid adviser.

Murkowski touted KFx as a company with a coal-drying technology that is "actually up and in operation." In fact, KFx has not yet commercialized its technology after 20 years of existence, according to stock analysts and the company's own Web site.

KFx lost \$63.4 million, and had total revenue of only \$78,306, from 2001 through 2003, according to financial statements filed with the U.S. Securities and Exchange Commission.

Renkes on Thursday said he does not recall informing Murkowski about his financial stake in KFx. But the information is publicly available, Renkes noted, because he files disclosure statements with the Alaska Public Offices Commission and the Alaska Permanent Fund Corp., where he sits on the board of trustees.

"As of yet, there is no relationship between the state and KFx. If there was anything down the pike ... I would absolutely recuse myself," Renkes said.

The attorney general, appointed by Murkowski in 2002, said he would not involve himself in any official state actions regarding KFx and the Beluga coal project. But Renkes has appeared at two news conference so far this year in which state officials,



Alaska Attorney General Gregg Renkes owns stock in KFx. *(Photo by Marc Lester / Anchorage Daily News)*

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including the governor, have promoted developing Beluga coal by using the KFx technology, called K-Fuel. Murkowski also just appointed Renkes to sit on a newly formed Alaska-Taiwan trade panel to develop business ties.

The idea of developing the Beluga fields has floated about for decades. But the concept gained traction in March when a Taiwanese trade delegation came to Alaska and expressed interest in possibly buying Beluga coal if there was an effective way to dry it out, thus raising the heat content. The state trade office hosted a news conference to spotlight the announcement. KFx executives appeared at the event. Renkes was the lead spokesman for the state.

Word that Renkes is an active stockholder in KFx appeared to catch the governor off guard Thursday. He didn't return numerous phone messages throughout the day. His spokeswoman, Becky Hultberg, said he was trying to get up to speed on the information before commenting.

"It caught us cold," Hultberg said.

Renkes said he owns 13,100 shares of KFx stock. At Thursday's price of \$7.71 a share, the investment is worth \$101,000. Most of it is in a retirement account, but 1,100 shares are actively managed by a financial consultant with Smith Barney in Juneau, he said. Both the attorney general and his consultant, Dale Anderson, said Renkes relinquished his discretion to manage the portfolio last year, so Anderson takes care of all the trading.

Renkes served on a KFx advisory board in 1998 and worked as a public affairs consultant for the company when he lived in Washington, D.C. In October 2001, just over a year before Renkes became Alaska attorney general, KFx gave him 25,000 shares as payment for \$91,250 worth of professional services, according to SEC documents.

Under the large-scale trade agreement announced by Murkowski on Sept. 16, KFx would build a plant west of Anchorage capable of processing 12 million tons of raw coal a year. The plant would reduce the moisture in the coal and churn out some 8 million tons of commercial product annually, according to Murkowski. The coal mine, processing plant and industrial port needed for the project would cost \$1 billion and create up to 600 construction jobs and 250 year-round positions, he said in announcing the project.

Renkes said Taiwan and KFx had a relationship that predated his becoming attorney general of Alaska. He did not bring the two parties together, nor did he encourage KFx to come to Alaska, he said.

"I'm not making it my mission to promote KFx," Renkes said.

Renkes said he deferred the matter to the state international trade office.

"I didn't think it was appropriate for me to be the deal person," he said.

If a coal mine is developed at Beluga using KFx technology, Renkes said, he would consider selling his stock.

"I would take it under advisement," he said.

As far as whether he sees a conflict of interest in the attorney general holding KFx stock while state officials, including himself, are actively trying to promote a deal with the company, Renkes hedged. He said that as long as he's not making decisions on behalf of the state with KFx, there isn't necessarily a conflict. But if an actual deal comes together, "I would absolutely not be involved," he said.

Whether KFx will ever build a plant in Alaska is a huge unknown. The company has no proven track record, and a recent announcement that it has signed a letter of intent with a newly formed merchant bank in Washington, D.C., to license the K-Fuel technology has sparked intense skepticism from some stock analysts and brokers.

The bank, called Kanturk Partners, is run by some KFx insiders, including John Venners, a brother of Ted Venners, chief executive of KFx. The SEC sanctioned John Venners in 2000 for allegedly artificially manipulating the KFx stock price. He paid \$2,000 without admitting any guilt.

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