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Scrutiny began in September

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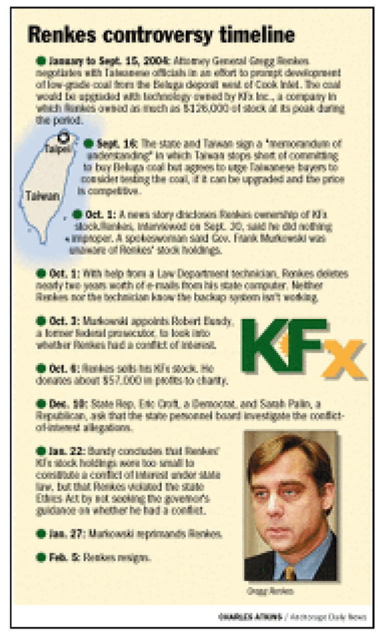
Gregg Renkes' resignation as attorney general on Saturday capped four months of intense scrutiny of Alaska's top lawyer.

Questions about Renkes' ethics and judgment arose in late September after Gov. Frank Murkowski signed a coal deal with Taiwan that centered on an experimental technology called K-Fuel.

K-Fuel is a coal-drying process, developed by KFx Inc. of Denver, that aims to convert wet, low-grade coal to higher-energy fuel. KFx has yet to commercialize its product after 20 years although the company is building a Wyoming plant now to try to do so.



Renkes was a KFx stockholder, holding as much as $126,000 worth of shares at one point last year before selling them in October after word of his investment spread. He had personal ties to the company too. KFx's lobbyist and brother of the chief executive was Renkes' friend and neighbor when the two lived on the same street in McLean, Va. Renkes had also served on a KFx technical advisory board.

Renkes played a key role in shaping the coal deal, which aimed at building a mine in the Beluga field west of Anchorage and selling the K-Fuel processed coal to Taiwanese utilities. State officials described it as a $1 billion project.

On several occasions last year, Renkes wrote letters and sent e-mails to the Taiwanese on behalf of the state, KFx and a group of KFx investors called Kanturk Partners, which hopes to finance the Beluga development. One letter, signed by Murkowski, was taken almost verbatim from a draft Kanturk prepared.

Renkes also helped craft the "memorandum of understanding" that Alaska and Taiwan signed Sept. 16, inserting K-Fuel into the agreement.

The first news article about Renkes' stock ownership and potential conflict of interest appeared on Oct. 1. Three days later Renkes told reporters "that in order to avoid any conflict-of-interest, I could not direct, approve or take any official action that might benefit KFx, and I did not." On Oct. 6 he sold his KFx shares and made a $57,906 profit. Renkes donated the money to charity.

Last week, questions about Renkes' candor arose because of an action he took on Oct. 1. Sometime that day, after the news broke, Renkes called a Department of Law technician to his office to help him delete thousands of e-mails, both personal and work-related, that had built up on his computer for nearly two years.

Renkes told Robert Bundy, an Anchorage lawyer Murkowski hired to investigate the attorney general's investments and actions, that the e-mail purge was unrelated to the news story. But rather, he deleted the e-mails because the computer technicians had been after him for a long time to clean out hi electronic trash.

Bundy told reporters last week he found it hard to believe Renkes' story.

In December, state Rep. Eric Croft, a Democrat, and former Wasilla Mayor Sarah Palin, a Republican, filed a complaint against Renkes with the state personnel board, which investigates allegations of ethics violations. That investigation continues.

Bundy released his report on Jan. 22. He concluded that Renkes' roughly $100,000 investment in KFx was insignificant under his interpretation of the law and that Renkes was not motivated by personal gain but by a desire to help Murkowski advance natural resource development.

Bundy found that Renkes violated the Executive Branch Ethics Act by not seeking an ethics advisory opinion before working on the coal deal. Murkowski said he accepted the report's finding and issued Renkes a letter of reprimand. On Saturday, Murkowski issued a statement that thanked Renkes for his service and noted that "Bundy's report determined that Mr. Renkes did not violate the state Code of Ethics."

The Bundy report has left many Alaskans scratching their heads. How could this highly respected former U.S. attorney conclude that a $100,000 investment wasn't significant?

Bundy said last week he had a tough job deciding whether Renkes broke the law because the Ethics Act is so murky on when a financial interest is significant enough to pose a conflict.

In the absence of better guidance, Bundy said, he relied on a 1989 Alaska attorney general's opinion about how to interpret the Ethics Act.

The 1989 case addressed whether Byron Mallott, then an Alaska Permanent Fund trustee, could vote on a matter involving purchase of a building from Goldbelt Inc., the Native village corporation for Juneau, while his children owned 200 shares in that company. The attorney general at the time opined that Mallott had no conflict because his kids' stock represented less than 1 percent of Goldbelt's shares.

The opinion did not discuss the dollar value of the children's shares, how important the investment was to the family's overall wealth or how important the deal was to the village corporation, Bundy wrote.

Using that guidance, Bundy concluded that because Renkes' stake in KFx amounted to 0.02 percent of the firm's 54 million shares, the investment was not large enough to amount to a conflict. Applying the 1 percent standard to KFx, Renkes would have had to own $4.3 million of the company's stock before his investment would have been considered significant.

Terrance A. Turner, an Anchorage lawyer representing Renkes, provided a brief in December to Bundy that cited the 1989 opinion and identified the 1 percent ownership as the correct standard to apply in determining a conflict of interest. Turner encouraged Bundy not to consider what the KFx stock meant to Renkes personally.

The value of a particular investment in a public official's portfolio is "irrelevant" under the Ethics Act, he wrote. "A restriction based on such a measurement would unduly penalize any public official who chose to concentrate his investable wealth in a particular company or sector of the market, even if the amount (i.e. size) of the investment was relatively small," Turner said.

Several times throughout the report, Bundy described his conclusion that Renkes did not violate the Code of Ethics a "very close question." He said he tried to keep his language neutral and not punish Renkes, the state's chief law enforcement officer, beyond saying that Renkes had used "poor judgment."

"There's nothing in the law that says the attorney general is held to a higher standard," Bundy said.

In the wake of the Renkes affair, Bundy is working on draft changes to toughen Alaska's ethics law. The proposed new standard would define a conflict of interest as $10,000 or 1 percent ownership of a company, whichever is lower.