

UPDATE 1-Alaska probes attorney general's ties to coal firm

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(Adds Renkes' pledge to sell stock for charity)

ANCHORAGE, Alaska, Oct 4 (Reuters) - Alaska's attorney general is being investigated by an independent outside counsel over his involvement in a state trade deal with a coal processing company, state officials said on Monday.

Gov. Frank Murkowski has named former U.S. Attorney Robert Bundy to investigate the ties between Alaska Attorney General Gregg Renkes and KFx Inc. (KFX.A: [Quote](#), [Profile](#), [Research](#)), a Denver-based company he promoted for a trade project selling Alaska coal to Taiwanese utilities.

Renkes defended himself in a news conference on Monday, saying that there was no conflict of interest. He pledged to sell his shareholdings in KFx and donate any profits to charity.

"I am comfortable that my involvement in very preliminary government-to-government trade discussions did not violate the ethics act nor compromise the integrity of the office to which I have been appointed," he said, reading from a prepared statement.

"Therefore I will have received zero -- zero -- financial benefit from my investments in this company during my service as attorney general."

Murkowski wants Bundy's report "as soon as possible," said Becky Hultberg, the governor's press secretary, "The governor was not aware that the attorney general had stock ownership in KFx."

The governor's office did not detail how it would deal with the conclusions of the report.

Renkes owns over \$100,000 worth of stock in KFx, which holds a patent on a process to convert low-grade coal into a higher quality. He worked for the company as a lobbyist and as a technical adviser from 1998 to 2000.

Information about Renkes' ties to KFx was not mentioned when Murkowski announced a plan on Sept. 16 to sell coal from Alaska's Cook Inlet region to Taiwanese utilities, using KFx's conversion project.

The Republican governor announced a memorandum of understanding with Taiwanese government officials to start work on the project. He also said KFx plans to build a facility in Alaska to upgrade the coal so that it will be the right quality for the Taiwanese utilities.

At the same time he announced the coal deal, Murkowski appointed Renkes to a post on a newly created Taiwan-Alaska trade committee.

Margy Johnson, director of Murkowski's Office of International Trade, said Renkes and the governor first mentioned KFx to her in the winter of 2003 when state officials were considering a coal development agreement with Taiwan. After reviewing the company's technology, Johnson said she recommended KFx to Taiwanese officials.

"He (Renkes) and Governor Murkowski were aware of this technology, so, absolutely they brought it to our

attention," Johnson said last week. "I looked at it very closely and it looked perfectly reasonable to me."

Renkes' served from 1998 to 2000 on the KFx technical advisory board, and then bought 12,000 shares for his retirement account, he said.

Renkes purchased 900 more shares between April and June, according to financial disclosure forms released by the Alaska Permanent Fund Corp., the state-owned investment fund for which Renkes serves as a trustee.
(Additional reporting by Michael Flaherty in New York)
