

Renkes to sell KFx Inc. shares

ETHICS: State attorney general says he complied with the law.

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Alaska Attorney General Gregg Renkes on Monday said he will sell his stock in KFx Inc. and donate the proceeds to charity. The announcement came one day after Gov. Frank Murkowski appointed an independent counsel to investigate Renkes' ties to KFx and determine whether he violated ethics laws in his role as attorney general.

Renkes, Alaska's top legal official, defended himself at a news conference in Anchorage at which he took no questions from reporters.

"I believe I have been in full compliance with the law and the spirit of the law," Renkes read from a prepared statement. "When I was appointed attorney general, in the very first filing of my financial statement required under state law, I disclosed my interest in KFx."

KFx is a Denver company that Renkes and Murkowski have promoted in public appearances this year. They have said KFx could operate a \$350 million coal-drying plant west of Anchorage with the goal of selling large volumes of high-moisture coal to Taiwanese buyers. Last month, Murkowski signed a trade deal with Taiwan that mentioned KFx. He recently said that KFx's patented coal-drying process, called K-Fuel, "really works," though the company has yet to commercialize the technology.

Murkowski spokespeople have said the governor didn't know that Renkes owns \$104,000 worth of stock in KFx and worked as a consultant for the company beginning in 1998. Renkes is a former business partner of John Venners, brother of KFx chief executive Ted Venners and a \$250,000-a-year consultant to KFx. Four years ago, federal securities regulators sanctioned John Venners for manipulating KFx's stock price.

Two delegations from Taiwan that visited Alaska this year on coal and other matters had their tour arranged by the state Office of International Trade. Margy Johnson, director of that office, said Monday that she learned about KFx through Renkes. He brought the company to her attention earlier this year when the first Taiwanese trade delegation was preparing to arrive in Anchorage.

"He said, 'You might take a look at this,' " she said.

Renkes also told her that he "had been involved with and had financial dealings with the company," Johnson said.

She said she didn't see anything improper with the relationship as long as Renkes disclosed his potential conflict of interest.

"It didn't seem to me to be a problem. I sort of, quite frankly, looked at it as a small-town mayor (where) sometimes people just clear a conflict of interest and you make a judgment call," said Johnson, a former Cordova mayor.

Johnson did not tell Murkowski about Renkes' ties with KFx, she said.

Renkes said Monday that he made it clear to Johnson 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."

"I knew that I could not take any official action which could affect any financial interest in that stock," he said.

Renkes personally reviewed the memorandum of understanding between Alaska and Taiwan, signed by Murkowski on Sept. 16, which lays out the structure of a trade deal in which a state-owned Taiwanese utility could buy Beluga coal processed by K-Fuel, Johnson said.

Renkes made minor wording changes, she said.

The attorney general said Monday that the governor asked him to help promote Beluga coal to the Taiwanese.

"Because of my knowledge of Cook Inlet coal resources and my prior experience with KFx technology while I was in the public and private sectors, the governor asked me to assist the director (Johnson) with the delegation's visit and ongoing trade discussions," Renkes said.

Besides the special counsel's inquiry, Renkes on Monday became the target of an ethics complaint filed with the Alaska Bar Association. Homer resident Bob Shavelson asked the association's disciplinary staff to investigate Renkes' actions and decide whether he violated the professional code of ethics that lawyers must uphold.

Steve Van Goor, bar counsel, wouldn't confirm whether his group has received a complaint about Renkes, citing the organization's confidentiality policy. If the bar association ends up taking formal action against Renkes, the matter would become public, he said.

Former U.S. Attorney Robert Bundy, the special counsel, on Monday began his investigation of Renkes. On Friday the attorney general asked Murkowski to appoint a special counsel in hopes of clearing his name.

"I believe this process will remove any lingering doubt about my actions," he said Monday. "It is absolutely essential that the integrity of the attorney general's office be preserved and maintained, and this process does just that."

Bundy has a budget of \$25,000 to conduct the inquiry, Murkowski spokeswoman Becky Hultberg said. The state will pay for the probe from the governor's contingency fund, she said.

"We want him to do the job thoroughly," Hultberg said.

No one from the administration will edit Bundy's report before it is released to the public, Hultberg said.

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