

October 15, 2004

The Honorable Frank Murkowski
PO Box 110001
Juneau, AK 99811

Dear Governor Murkowski,

Recent news stories concerning the investments of Attorney General Gregg Renkes in a company known as KFx have caused me great concern. The public reports about the length and depth of General Renkes' ties to KFx certainly ground an inference that his allegiances with respect to coal development in the Beluga field were torn between his own financial well-being and his duties towards the people of the state as attorney general. While the appointment of Robert Bundy as a independent investigator into these conflict of interest allegations satisfies me that they will be fairly resolved, there are other considerations which prompt this letter.

The people of the state deserve public servants who avoid even the appearance of impropriety. This holds especially true in the case of the Attorney General, whose position demands adherence to the strictest ethical standards.

During recent legislative hearings the problem of dual allegiances was broached with Dr. Pedro Van Muers, who is advising the state in our negotiations with applications made under the Stranded Gas Act. Dr. Van Muers was asked why he had spent his career working only for governments and never for private industry. He replied that he did not ever wish to be seen as someone who switched sides just for the sake of a monetary reward.

Most Alaskans would admire this high-minded principle, and it is this same principle that causes me to raise this issue in the context of the Attorney General. You have given every indication that a Stranded Gas Act application will be presented to the Legislature in the form of a contract for ratification in the near future. That contract will receive intense scrutiny from many sides. Those who stand to benefit from the contract, and those who do not, will each have an outlet for their points of view in hearings and in the press. It is imperative that this contract be looked at strictly on the merits, given the far ranging effect its approval or disapproval will have on the state.

My concern, plainly stated, is this. I believe that the Attorney General's involvement in the negotiations could become a liability during the Legislature's consideration of the proposed contract. The KFx allegations aside, it is a fact that General Renkes has been a paid professional lobbyist in the past for both British Petroleum and ARCO, the corporate predecessor of ConocoPhillips. The financial interests of the oil industry are not entirely aligned with those of the State, and any perceived tilt towards the industry in the proposed contract is going to spark heated debate. I am concerned that General Renkes' history as an industry lobbyist would

become an issue at that point. Rightly or wrongly, there is an ethical cloud that now hangs over General Renkes. That cloud should not be allowed to dim the prospects of an Alaskan gas line.

Therefore it is my request that you remove General Renkes from the State's Stranded Gas Act negotiating team. By taking away a potential source of criticism of the contract in advance, you will increase public and Legislative confidence in the product. I do not make this request lightly, rather, it is made in the hopes that Alaska will soon begin to reap great rewards from one of our treasured natural resources.

Sincerely yours,

Senator Hollis S. French