

September 6, 2007

By Electronic Delivery

Mr. Juan D. Peralta, Chief
Quality & Vendor Branch 1
Division of Construction Inspection & Operational Programs
Office of New Reactors
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Subj: Cameron Acquisition of PRIME Assets

Dear Mr. Peralta,

The purpose of this letter is to provide information to the NRC to clarify the applicability of NRC requirements to Cameron, Inc. with respect to its asset acquisition related to certain differential pressure devices previously manufactured as nuclear safety-related components by PRIME Measurement Products, LLC ("PRIME") (formerly named Barton). This information will be useful to the NRC in addressing its observations arising from an August 6-10, 2007, NRC site visit at the Cameron facility. Cameron respectfully requests that the NRC fully consider the facts presented herein prior to the issuance of a report associated with the above visit.

To summarize, Cameron purchased certain of the physical assets and intellectual property of PRIME in bankruptcy (case #: LA07-10109-RN) earlier this year. As an asset purchase, that transaction, approved by the bankruptcy court, did not include the business related to the differential pressure devices nor any liabilities PRIME may have acquired in connection with that business. Most importantly here, although PRIME had manufactured safety-related differential pressure devices for the nuclear industry, Cameron has never done so and has not reached a decision as to whether it will undertake that activity.

At this time, unless and until Cameron elects to manufacture those differential pressure devices, and does so as nuclear safety-related devices, Cameron is not required to maintain either a quality assurance program under 10 C.F.R. Part 50, Appendix B, nor is it otherwise subject to the obligations of 10 C.F.R. Part 21, with respect to those assets acquired from PRIME. Further, Cameron is not subject to previous NRC findings related to PRIME's activities concerning the manufacturing of differential pressure devices for the nuclear industry. Nonetheless, Cameron continues to explore the possibility of producing these devices as nuclear safety grade. As part of that effort, Cameron is upgrading the Quality Assurance program that would apply were Cameron to elect to undertake such an effort. Accordingly, any observations the NRC may have as a result of its visit to the Cameron facility regarding the status of the current quality assurance

program under development by Cameron will be appreciated and will be informative as Cameron evaluates its options related to these products.

Background

By way of background, PRIME supplied nuclear safety-related components, including differential pressure switches, indicators and transmitters formerly manufactured under the Barton brand for many years. In May of 2006, PRIME identified a potential problem with respect to the construction of certain of those differential pressure devices and issued a notification to customers regarding that issue. Subsequently, in June of 2006, Callaway Nuclear Plant issued a notification pursuant to 10 C.F.R. Part 21, related to that problem.

In response to those developments, the NRC issued an Information Notice and supplement thereto,¹ and conducted an inspection at the PRIME facility from July 25-27, 2006. The NRC issued its inspection report on October 5, 2006.²

Cameron Acquisition of PRIME Assets

On January 5, 2007, PRIME filed for bankruptcy. Cameron subsequently entered into an Asset Purchase Agreement with PRIME to buy certain of the assets of PRIME, including the manufacturing equipment, inventory and certain intangible property related to the manufacturing of the differential pressure devices. That agreement expressly involved only the sale of those assets, and expressly excluded any PRIME liabilities with respect to the nuclear products sold by PRIME.³ The Asset Purchase Agreement was approved by the bankruptcy court on March 19, 2007, and the contract was closed on March 23, 2007.

Soon thereafter, Cameron took possession of the assets related to the Differential Pressure Indicators and Switches, including assets related to commercial, military and nuclear grade component product lines.⁴ By the terms of the Agreement, PRIME continued as a separate corporate entity to manufacture and deliver Barton Differential Pressure Transmitters (also for commercial, military and nuclear grade applications). Production ceased on May 15, 2007. At that time, assets associated with that activity were also transferred to Cameron.

¹ IN 2006-14, "Potentially Defective External Lead-Wire Connections in Barton Pressure Transmitters," July 10, 2006. Supplement 1 to IN 2006-14, was issued on September 25, 2006.

² A response to the NRC inspection report was submitted on April 24, 2007, on Cameron letterhead solely as the new owner of the PRIME assets.

³ The Asset Purchase Agreement provides that "...Buyer [Cameron] is not assuming and shall not be liable for any liabilities or obligations of Seller [PRIME] specifically including any responsibilities or liabilities in regards to NRC 10 CFR part 21.1, and any warranty or product liabilities for any product manufactured or sold by Seller."

⁴ Cameron has commenced manufacturing of some of the differential pressure devices under military [and commercial?], but not nuclear-related contracts.

Status of Cameron Activities Regarding Differential Pressure Devices

Since acquiring the PRIME assets, Cameron has at no point accepted orders for, manufactured, sold or otherwise supplied nuclear grade differential pressure devices, as previously supplied by PRIME. To clarify this point with former PRIME customers, soon after approval of the asset sale and finalization of the Agreement, Cameron issued a memorandum to PRIME Nuclear Product Customers and Representatives, dated April 16, 2007, stating that until customers were otherwise notified, (1) Cameron would not supply nuclear safety-related Differential Pressure Indicators, Switches and Transmitters (though PRIME would manufacture some Transmitters until May 15, 2007, prior to the transfer of those assets to Cameron), (2) customers would need to cancel pending orders, and (3) Cameron would not be accepting orders for these nuclear safety-related products. Cameron was also transferring the PRIME Appendix B program in anticipation of potentially undertaking to supply nuclear grade components. However, before undertaking such activities, Cameron informed potential customers that it planned on completing audits by industry organizations.⁵ Cameron indicated that if successful, customers could then place Cameron on an approved vendors list and issue orders for nuclear grade components.

Cameron has not yet determined whether it will itself undertake to manufacture or sell the nuclear safety grade differential pressure devices.

Applicability of NRC Requirements to Cameron

As described above, with the acquisition and transfer of assets from PRIME, Cameron has conducted no activities requiring the application of 10 C.F.R. Part 50, Appendix B (applicable to nuclear safety-related activities). Consequently, Cameron has conducted no activities subject to 10 C.F.R. Part 21 (applicable to a company which "supplies basic components" (components manufactured under Appendix B)) for a facility or activity licensed under, inter alia, 10 C.F.R. Part 50. In fact, Cameron has been careful to inform potential customers of that fact. Cameron fully recognizes that if it decides to undertake to manufacture and supply nuclear safety-related components, it must have programs and processes which adhere to applicable NRC requirements. In addition, we reiterate that in accordance with the court approved Asset Purchase Agreement, Cameron has acquired no liabilities or obligations of the former owner with respect to those assets, including with respect to any prior NRC liability.

Finally, Cameron is continuing to evaluate whether to proceed with these products as nuclear safety-related products. Thus, insights by the NRC (and industry organizations) with respect to the programs being developed by Cameron for this purpose are welcome. However, until such time as Cameron elects to proceed in that direction, NRC requirements do not apply to Cameron's activities.

⁵ Nuclear Procurement Issues Committee ("NUPIC") and Nuclear Industry Assessment Committee ("NIAC"). A NUPIC audit has been conducted at the Cameron facility.

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Thank you in advance for your attention to this matter. Please feel free to contact me at 432-528-9438 if you have any questions or require any further information.

Sincerely,

Matt DeWitt
Director of Business Development
Cameron's Measurement System Division

cc: Bradley W. Jones, NRC Assistant General Counsel for Materials Litigation and Enforcement (electronic delivery)
William A. Horin, Winston & Strawn, Counsel to Cameron (electronic delivery)