

TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC

Form N-Q

April 22, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT
COMPANY

Investment Company Act file number 811-22106

Tortoise Power and Energy Infrastructure Fund, Inc.
(Exact name of registrant as specified in charter)

11550 Ash Street, Suite 300, Leawood, KS 66211
(Address of principal executive offices) (Zip code)

Terry Matlack
Diane Bono
11550 Ash Street, Suite 300, Leawood, KS 66211
(Name and address of agent for service)

913-981-1020
Registrant's telephone number, including area code

Date of fiscal year end: November 30

Date of reporting period: February 28, 2014

Item 1. Schedule of Investments.

Tortoise Power and Energy Infrastructure Fund, Inc.
SCHEDULE OF INVESTMENTS (Unaudited)

	February 28, 2014	
	Principal Amount/Shares	Fair Value
Corporate Bonds - 68.5% (1)		
Crude/Refined Products Pipelines - 5.4% (1)		
Canada - 2.4% (1)		
Gibson Energy Inc., 6.750%, 07/15/2021 (2)	\$ 4,500,000	\$ 4,837,500
United States - 3.0% (1)		
SemGroup LP, 7.500%, 06/15/2021	5,450,000	5,831,500
		10,669,000
Local Distribution Pipelines - 7.5% (1)		
United States - 7.5% (1)		
CenterPoint Energy, Inc., 6.500%, 05/01/2018 (3)	4,000,000	4,672,124
NiSource Finance Corp., 6.400%, 03/15/2018 (3)	3,500,000	4,091,356
Source Gas, LLC, 5.900%, 04/01/2017 (2) (3)	5,770,000	6,132,506
		14,895,986
Natural Gas/Natural Gas Liquids Pipelines - 18.5% (1)		
Canada - 3.2% (1)		
TransCanada Pipelines Limited, 6.350%, 05/15/2067	6,000,000	6,211,800
United States - 15.3% (1)		
El Paso Corp., 6.500%, 09/15/2020 (3)	6,000,000	6,576,288
EQT Corp., 6.500%, 04/01/2018	2,000,000	2,269,548
EQT Corp., 8.125%, 06/01/2019	2,000,000	2,456,124
Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020 (2) (3)	1,500,000	1,666,200
Midcontinent Express Pipeline LLC, 6.700%, 09/15/2019 (2)	6,000,000	5,961,246
Ruby Pipeline, LLC, 6.000%, 04/01/2022 (2) (3)	1,500,000	1,612,352
Southern Star Central Corp., 6.750%, 03/01/2016	2,745,000	2,751,862
Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016 (2) (3)	2,000,000	2,179,358
Williams Companies, Inc., 7.875%, 09/01/2021	4,000,000	4,768,852
		36,453,630
Natural Gas Gathering/Processing - 5.5% (1)		
United States - 5.5% (1)		
DCP Midstream LLC, 9.750%, 03/15/2019 (2) (3)	5,000,000	6,431,415
Enogex LLC, 6.250%, 03/15/2020 (2) (3)	4,000,000	4,412,120
		10,843,535
Oil and Gas Exploration and Production - 7.7% (1)		
United States - 7.7% (1)		
Carrizo Oil & Gas, Inc., 7.500%, 09/15/2020	2,000,000	2,200,000
Chesapeake Energy Corp., 7.250%, 12/15/2018 (3)	3,500,000	4,121,250

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Concho Resources, Inc., 5.500%, 04/01/2023	2,000,000	2,090,000
Denbury Resources Inc., 6.375%, 08/15/2021	1,000,000	1,077,500
EP Energy / EP Finance Inc., 9.375%, 05/01/2020 (3)	3,000,000	3,472,500
Plains Exploration & Production Co., 6.500%, 11/15/2020	2,000,000	2,210,000
		15,171,250
Oilfield Services - 1.9% (1)		
United States - 1.9% (1)		
Pride International, Inc., 8.500%, 06/15/2019	3,000,000	3,843,270
Power/Utility - 22.0% (1)		
United States - 22.0% (1)		
CMS Energy Corp., 8.750%, 06/15/2019	5,185,000	6,720,543
Dominion Resources, Inc., 8.375%, 06/15/2064 (4)	183,000	4,743,360
Duquesne Light Holdings, Inc., 6.400%, 09/15/2020 (2)	3,000,000	3,505,347
Duquesne Light Holdings, Inc., 5.900%, 12/01/2021 (2)	2,000,000	2,277,738
FPL Group Capital, Inc., 6.650%, 06/15/2067	1,029,000	1,036,718
Integrus Energy Group, Inc., 6.110%, 12/01/2066 (3)	3,750,000	3,754,687
IPALCO Enterprises, Inc., 7.250%, 04/01/2016 (2)	4,000,000	4,420,000
NRG Energy, Inc., 6.250%, 07/15/2022 (2)	6,000,000	6,240,000
NV Energy, Inc., 6.250%, 11/15/2020 (3)	1,000,000	1,179,679
PPL Capital Funding, Inc., 6.700%, 03/30/2067 (3)	6,000,000	6,015,000
Wisconsin Energy Corp., 6.250%, 05/15/2067	3,450,000	3,527,625
		43,420,697
Total Corporate Bonds (Cost \$123,975,009)		135,297,368
Master Limited Partnerships and Related Companies - 46.8% (1)		
Crude/Refined Products Pipelines - 20.2% (1)		
United States - 20.2% (1)		
Buckeye Partners, L.P. (3)	54,000	3,954,420
Enbridge Energy Management, L.L.C. (3) (5)	542,276	14,505,896
Genesis Energy, L.P.	11,800	649,000
Holly Energy Partners, L.P. (3)	56,100	1,884,960
Magellan Midstream Partners, L.P. (3)	63,100	4,269,977
NuStar Energy L.P. (3)	31,200	1,557,504
Oiltanking Partners, L.P.	9,400	650,574
Phillips 66 Partners LP	15,500	710,210
Plains All American Pipeline, L.P. (3)	72,959	3,952,189
Sunoco Logistics Partners L.P. (3)	79,443	6,573,114
Tesoro Logistics LP	13,400	806,680
Valero Energy Partners LP	13,794	510,240
		40,024,764
Natural Gas/Natural Gas Liquids Pipelines - 19.9% (1)		
United States - 19.9% (1)		
Crestwood Midstream Partners LP (3)	42,210	945,082

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Energy Transfer Equity, L.P. (3)	55,618	2,427,726
Energy Transfer Partners, L.P. (3)	101,200	5,619,636
Enterprise Products Partners L.P. (3)	111,000	7,449,210
Kinder Morgan Management, LLC (3) (5) (6)	235,900	16,465,803
ONEOK Partners, L.P. (3)	82,400	4,376,264
Regency Energy Partners, L.P. (3)	47,552	1,248,240
Williams Partners, L.P.	14,100	699,501
		39,231,462
Natural Gas Gathering/Processing - 6.7% (1)		
United States - 6.7% (1)		
Access Midstream Partners, L.P.	10,700	604,015
Crosstex Energy, L.P.	22,400	691,936
DCP Midstream Partners, LP (3)	76,805	3,748,084
MarkWest Energy Partners, L.P. (3)	56,700	3,620,295
Targa Resources Partners L.P. (3)	86,500	4,644,185
		13,308,515
Total Master Limited Partnerships and Related Companies (Cost \$41,285,017)		
		92,564,741
Common Stock - 2.8% (1)		
Natural Gas/Natural Gas Liquids Pipelines - 0.3% (1)		
United States - 0.3% (1)		
Spectra Energy Corp.	15,300	570,384
Power/Utility - 2.5% (1)		
United States - 2.5% (1)		
NRG Yield, Inc.	132,000	5,039,760
Total Common Stock (Cost \$4,020,028)		
		5,610,144
Short-Term Investment - 0.1% (1)		
United States Investment Company - 0.1% (1)		
Fidelity Institutional Money Market Portfolio - Class I, 0.04% (7) (Cost \$83,000)	83,000	83,000
Total Investments - 118.2% (1) (Cost \$169,363,054)		
		233,555,253
Interest Rate Swap Contracts - (0.2%) (1)		
\$26,000,000 notional - unrealized depreciation		(308,299)
Other Assets and Liabilities - (18.0%) (1)		
		(35,627,299)
Total Net Assets Applicable to Common Stockholders - 100.0% (1)		
		\$ 197,619,655

- (1) Calculated as a percentage of net assets applicable to common stockholders.
- (2) Restricted securities have been fair valued in accordance with procedures approved by the Board of Directors and have a total fair value of \$49,675,782, which represents 25.1% of net assets.
- (3) All or a portion of the security is segregated as collateral for the margin borrowing facility.

- (4) Security has characteristics that are similar to corporate bonds although it trades in a manner similar to an equity investment.
The security has a quoted price in an active market and is classified as a Level 1 investment within the fair value hierarchy.
- (5) Security distributions are paid-in-kind.
- (6) A portion of the security is segregated as collateral for the unrealized depreciation of interest rate swap contracts of \$308,299.
- (7) Rate indicated is the current yield as of February 28, 2014.
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Various inputs are used in determining the fair value of the Company's financial instruments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.)

Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table provides the fair value measurements of applicable Company assets by level within the fair value hierarchy as of February 28, 2014. These assets are measured on a recurring basis.

Description	Fair Value at February 28, 2014	Level 1	Level 2	Level 3
Assets				
Debt Securities:				
Corporate Bonds(a)	\$ 135,297,368	\$ 4,743,360	\$ 130,554,008	\$ -
Equity Securities:				
Common Stock(a)	5,610,144	5,610,144	-	-
Master Limited Partnerships and Related Companies(a)	92,564,741	92,564,741	-	-
Other:				
Short-Term Investment(b)	83,000	83,000	-	-
Total Assets	\$ 233,555,253	\$ 103,001,245	\$ 130,554,008	\$ -
Liabilities				
Interest Rate Swap Contracts	\$ 308,299	\$ -	\$ 308,299	\$ -

(a) All other industry classifications are identified in the Schedule of Investments.

(b) Short-term investment is a sweep investment for cash balances in the Company at February 28, 2014.

The Company did not hold any Level 3 securities during the period from December 1, 2013 through February 28, 2014. The Company utilizes the beginning of reporting period method for determining transfers between levels. There were no transfers between levels for the period from December 1, 2013 through February 28, 2014.

Valuation Techniques

In general, and where applicable, the Company uses readily available market quotations based upon the last updated sales price from the principal market to determine fair value. This pricing methodology applies to the Company's Level 1 investments.

Some debt securities are fair valued using a market value obtained from an approved pricing service which utilizes a pricing matrix based upon yield data for securities with similar characteristics or from a direct written broker-dealer quotation from a dealer who has made a market in the security. This pricing methodology applies to the Company's Level 2 assets.

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Interest rate swap contracts are valued by using industry-accepted models which discount the estimated future cash flows based on a forward rate curve and the stated terms of the interest rate swap agreement by using interest rates currently available in the market, or based on dealer quotations, if available, which applies to the Company's Level 2 liabilities.

Certain of the Company's investments are restricted and are valued as determined in accordance with procedures established by the Board of Directors. The table below shows the principal amount, acquisition date(s), acquisition cost, fair value and the percent of net assets which the securities comprise at February 28, 2014. Each of the securities in the table below are eligible for resale under Rule 144A under the Securities Act of 1933.

Investment Security	Principal Amount	Acquisition Date(s)	Acquisition Cost	Fair Value	Fair Value as Percent of Net Assets
DCP Midstream LLC, 9.750%, 03/15/2019	\$5,000,000	08/07/09-08/17/12	\$6,052,370	\$6,431,415	3.3 %
Duquesne Light Holdings, Inc., 6.400%, 09/15/2020	3,000,000	11/30/11	3,180,330	3,505,347	1.8
Duquesne Light Holdings, Inc., 5.900%, 12/01/2021	2,000,000	11/18/11-12/05/11	2,074,420	2,277,738	1.2
Enogex LLC, 6.250%, 03/15/2020	4,000,000	02/26/10-04/22/10	4,118,593	4,412,120	2.2
Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020	1,500,000	07/08/10-01/04/11	1,551,220	1,666,200	0.8
Gibson Energy Inc., 6.750%, 07/15/2021	4,500,000	06/26/13-07/01/13	4,459,760	4,837,500	2.4
IPALCO Enterprises, Inc., 7.250%, 04/01/2016	4,000,000	11/03/09-01/04/11	4,165,000	4,420,000	2.2
Midcontinent Express Pipelines, LLC, 6.700%, 09/15/2019	6,000,000	09/09/09-03/02/10	6,055,570	5,961,246	3.0
NRG Energy, Inc., 6.250%, 07/15/2022	6,000,000	2/11/14	6,135,000	6,240,000	3.2
Ruby Pipeline, LLC, 6.000%, 04/01/2022	1,500,000	09/17/12	1,616,250	1,612,352	0.8
Source Gas, LLC, 5.900%, 04/01/2017	5,770,000	04/21/10	5,544,521	6,132,506	3.1
Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016	2,000,000	08/24/09	1,970,000	2,179,358	1.1
			\$46,923,034	\$49,675,782	25.1 %

As of February 28, 2014, the aggregate cost of securities for federal income tax purposes was \$162,705,478. The aggregate gross unrealized appreciation for all securities in which there was an excess of fair value over tax cost was \$71,192,758, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over fair value was \$342,983 and the net unrealized appreciation was \$70,849,775.

Item 2. Controls and Procedures.

- (a) The registrant's Chief Executive Officer and its Chief Financial Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended.
- (b) There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)) are filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Tortoise Power and Energy Infrastructure Fund, Inc.

Date: April 22, 2014

By: /s/ Terry Matlack
Terry Matlack
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Tortoise Power and Energy Infrastructure Fund, Inc.

Date: April 22, 2014

By: /s/ Terry Matlack
Terry Matlack
Chief Executive Officer

Tortoise Power and Energy Infrastructure Fund, Inc.

Date: April 22, 2014

By: /s/ P. Bradley Adams
P. Bradley Adams
Chief Financial Officer