

TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC

Form N-Q

April 25, 2012

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)

David J. Schulte
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 29, 2012

Item 1. Schedule of Investments.

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

| | February 29, 2012 | |
|---|----------------------------|--------------|
| | Principal Amount/Shares | Fair Value |
| Corporate Bonds - 68.9% (1) | | |
| Local Distribution Pipelines - 8.1% (1) | | |
| United States - 8.1% (1) | | |
| CenterPoint Energy, Inc., 6.500%, 05/01/2018 | \$ 4,000,000 | \$ 4,725,880 |
| NiSource Finance Corp., 6.400%, 03/15/2018 | 3,500,000 | 4,133,713 |
| Source Gas, LLC, 5.900%, 04/01/2017 (2) | 5,770,000 | 6,100,817 |
| | | 14,960,410 |
| Natural Gas/Natural Gas Liquids Pipelines - 20.5% (1) | | |
| Canada - 3.3% (1) | | |
| TransCanada Pipelines Limited, 6.350%, 05/15/2067 | 6,000,000 | 6,157,476 |
| United States - 17.2% (1) | | |
| El Paso Corp., 6.500%, 09/15/2020 | 5,000,000 | 5,523,855 |
| EQT Corp., 6.500%, 04/01/2018 | 3,000,000 | 3,405,000 |
| EQT Corp., 8.125%, 06/01/2019 | 2,000,000 | 2,371,860 |
| Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020 (2) | 1,500,000 | 1,633,511 |
| Midcontinent Express Pipeline LLC, 6.700%, 09/15/2019 (2) | 6,000,000 | 6,150,258 |
| NGPL PipeCo LLC, 7.119%, 12/15/2017 (2) | 4,000,000 | 3,655,844 |
| Southern Star Central Corp., 6.750%, 03/01/2016 | 2,745,000 | 2,786,175 |
| Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016 (2) | 2,000,000 | 2,254,040 |
| Southern Union Co., 7.600%, 02/01/2024 | 3,500,000 | 4,160,342 |
| | | 38,098,361 |
| Natural Gas Gathering/Processing - 5.2% (1) | | |
| United States - 5.2% (1) | | |
| DCP Midstream LLC, 9.750%, 03/15/2019 (2) | 4,000,000 | 5,189,504 |
| Enogex LLC, 6.250%, 03/15/2020 (2) | 4,000,000 | 4,502,492 |
| | | 9,691,996 |
| Oil and Gas Exploration and Production - 3.3% (1) | | |
| United States - 3.3% (1) | | |
| Chesapeake Energy Corp., 7.250%, 12/15/2018 | 2,000,000 | 2,170,000 |
| Encore Acquisition Co., 9.500%, 05/01/2016 | 1,500,000 | 1,676,250 |
| Newfield Exploration Co., 7.125%, 05/15/2018 | 1,000,000 | 1,065,000 |
| Pioneer Natural Resources Co., 6.875%, 05/01/2018 | 1,000,000 | 1,174,672 |
| | | 6,085,922 |
| Oilfield Services - 3.8% (1) | | |
| United States - 3.8% (1) | | |
| FTS International, Inc., 7.625%, 11/15/2018 (2) | 3,000,000 | 3,202,500 |

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| | | |
|---|-----------|-------------|
| Pride International, Inc., 8.500%, 06/15/2019 | 3,000,000 | 3,838,647 |
| | | 7,041,147 |
| Power/Utility - 26.2% (1) | | |
| United States - 26.2% (1) | | |
| Ameren Illinois Power Co., 9.750%, 11/15/2018 | 2,000,000 | 2,652,028 |
| CMS Energy Corp., 8.750%, 06/15/2019 | 5,185,000 | 6,295,881 |
| Dominion Resources, Inc., 8.375%, 06/15/2064 (3) | 183,000 | 5,400,330 |
| Duquesne Light Holdings, Inc., 6.400%, 09/15/2020 (2) | 3,000,000 | 3,239,592 |
| Duquesne Light Holdings, Inc., 5.900%, 12/01/2021 (2) | 2,000,000 | 2,101,524 |
| FPL Group Capital, Inc., 6.650%, 06/15/2067 | 1,029,000 | 1,041,863 |
| Integrus Energy Group, Inc., 6.110%, 12/01/2066 | 3,750,000 | 3,722,062 |
| IPALCO Enterprises, Inc., 7.250%, 04/01/2016 (2) | 4,000,000 | 4,440,000 |
| North American Energy Alliance LLC, 10.875%, 06/01/2016 | 2,800,000 | 3,066,000 |
| NRG Energy, Inc., 8.500%, 06/15/2019 | 6,000,000 | 6,135,000 |
| NV Energy, Inc., 6.250%, 11/15/2020 | 1,000,000 | 1,092,854 |
| PPL Capital Funding, Inc., 6.700%, 03/30/2067 | 6,000,000 | 5,910,000 |
| Wisconsin Energy Corp., 6.250%, 05/15/2067 | 3,450,000 | 3,536,250 |
| | | 48,633,384 |
| Refining - 1.8% (1) | | |
| United States - 1.8% (1) | | |
| Holly Corp., 9.875%, 06/15/2017 | 3,000,000 | 3,352,500 |
| | | |
| Total Corporate Bonds (Cost \$117,879,557) | | 127,863,720 |
| Master Limited Partnerships and Related Companies - 49.1% (1) | | |
| Crude/Refined Products Pipelines - 26.3% (1) | | |
| United States - 26.3% (1) | | |
| Buckeye Partners, L.P. | 54,000 | 3,229,200 |
| Enbridge Energy Management, L.L.C. (4) | 496,488 | 16,766,398 |
| Holly Energy Partners, L.P. | 47,600 | 2,914,548 |
| Kinder Morgan Management, LLC (4) (5) | 224,359 | 17,986,864 |
| Magellan Midstream Partners, L.P. | 19,400 | 1,419,498 |
| NuStar Energy L.P. | 32,600 | 1,982,080 |
| Plains All American Pipeline, L.P. | 16,500 | 1,364,550 |
| Sunoco Logistics Partners L.P. | 79,443 | 3,102,249 |
| | | 48,765,387 |
| Natural Gas/Natural Gas Liquids Pipelines - 13.0% (1) | | |
| United States - 13.0% (1) | | |
| Energy Transfer Equity, L.P. | 27,809 | 1,209,413 |
| Energy Transfer Partners, L.P. | 107,700 | 5,104,980 |
| Enterprise Products Partners L.P. | 136,317 | 7,072,126 |
| ONEOK Partners, L.P. | 133,200 | 7,752,240 |
| Regency Energy Partners, L.P. | 55,600 | 1,473,400 |
| Williams Partners, L.P. | 23,932 | 1,488,810 |

24,100,969

| | | |
|---|---------|----------------|
| Natural Gas Gathering/Processing - 8.9% (1) | | |
| United States - 8.9% (1) | | |
| Copano Energy, L.L.C. | 93,200 | 3,465,176 |
| DCP Midstream Partners, LP | 85,200 | 4,149,240 |
| MarkWest Energy Partners, L.P. | 56,700 | 3,391,227 |
| Targa Resources Partners L.P. | 132,417 | 5,634,343 |
| | | 16,639,986 |
| Propane Distribution - 0.9% (1) | | |
| United States - 0.9% (1) | | |
| Inergy, L.P. | 97,700 | 1,705,842 |
| Total Master Limited Partnerships and Related Companies (Cost \$44,598,329) | | |
| | | 91,212,184 |
| Short-Term Investment - 0.1% (1) | | |
| United States Investment Company - 0.1% (1) | | |
| Fidelity Institutional Money Market Portfolio - Class I, 0.21% (6) (Cost \$133,566) | 133,566 | 133,566 |
| Total Investments - 118.1% (1) (Cost \$162,611,452) | | |
| | | 219,209,470 |
| Long-Term Debt Obligations - (10.8%) (1) | | |
| | | (20,000,000) |
| Interest Rate Swap Contracts - (0.5%) (1) | | |
| \$26,000,000 notional - unrealized depreciation | | (967,696) |
| Other Assets and Liabilities - (6.8%) (1) | | |
| | | (12,684,213) |
| Total Net Assets Applicable to Common Stockholders - 100.0% (1) | | |
| | | \$ 185,557,561 |

- (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 \$42,470,082, which represents 22.9% of net assets.
- (3) Security has characteristics that are similar to corporate bonds although it trades in a manner similar to an equity investment. Since the security has a quoted price in an active market it is classified as a Level 1 investment within the fair value hierarchy.
- (4) Security distributions are paid-in-kind.
- (5) A portion of the security is segregated as collateral for the unrealized depreciation of interest rate swap contracts of \$967,696.
- (6) Rate indicated is the current yield as of February 29, 2012.

Various inputs are used in determining the value of the Company's investments. 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 and liabilities by level within the fair value hierarchy as of February 29, 2012. These assets and liabilities are measured on a recurring basis.

| Description | Fair Value at February 29, 2012 | Level 1 | Level 2 | Level 3 |
|---|---------------------------------------|---------------|----------------|---------|
| Assets | | | | |
| Debt Securities: | | | | |
| Corporate Bonds(a) | \$ 127,863,720 | \$ 5,400,330 | \$ 122,463,390 | \$ - |
| Equity Securities: | | | | |
| Master Limited Partnerships and Related Companies(a) | 91,212,184 | 91,212,184 | - | - |
| Other: | | | | |
| Short-Term Investment(b) | 133,566 | 133,566 | - | - |
| Total Assets | \$ 219,209,470 | \$ 96,746,080 | \$ 122,463,390 | \$ - |
| Liabilities | | | | |
| Interest Rate Swap Contracts | \$ 967,696 | \$ - | \$ 967,696 | \$ - |

(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 29, 2012.

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.

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.

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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, 2011 through February 29, 2012.

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 29, 2012.

| 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 | \$ 4,000,000 | 08/07/09-08/27/09 | \$ 4,769,350 | \$ 5,189,504 | 2.8 % |
| Duquesne Light Holdings, Inc., 6.400%, 09/15/2020 | 3,000,000 | 11/30/11 | 3,180,330 | 3,239,592 | 1.8 |
| Duquesne Light Holdings, Inc., 5.900%, 12/01/2021 | 2,000,000 | 11/18/11-12/05/11 | 2,074,420 | 2,101,524 | 1.1 |
| Enogex LLC, 6.250%, 03/15/2020 | 4,000,000 | 02/26/10-04/22/10 | 4,118,593 | 4,502,492 | 2.4 |
| Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020 | 1,500,000 | 07/08/10-01/04/11 | 1,551,220 | 1,633,511 | 0.9 |
| FTS International, Inc., 7.625%, 11/15/2018 | 3,000,000 | 12/22/11 | 3,157,500 | 3,202,500 | 1.7 |
| IPALCO Enterprises, Inc., 7.250%, 04/01/2016 | 4,000,000 | 11/03/09-01/04/11 | 4,165,000 | 4,440,000 | 2.4 |
| Midcontinent Express Pipelines, LLC, 6.700%, 09/15/2019 | 6,000,000 | 09/09/09-03/02/10 | 6,055,570 | 6,150,258 | 3.3 |
| NGPL PipeCo LLC, 7.119%, 12/15/2017 | 4,000,000 | 07/29/10-09/28/10 | 4,280,000 | 3,655,844 | 2.0 |
| Source Gas, LLC, 5.900%, 04/01/2017 | 5,770,000 | 04/21/10 | 5,544,521 | 6,100,817 | 3.3 |
| Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016 | 2,000,000 | 08/24/09 | 1,970,000 | 2,254,040 | 1.2 |
| | | | \$ 40,866,504 | \$ 42,470,082 | 22.9 % |

As of February 29, 2012, the aggregate cost of securities for federal income tax purposes was \$158,153,486. The aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$61,055,984, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$0 and the net unrealized appreciation was \$61,055,984.

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 25, 2012

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 25, 2012

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

Tortoise Power and Energy Infrastructure Fund, Inc.

Date: April 25, 2012

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