

TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC

Form N-Q

October 30, 2014

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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: August 31, 2014

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Item 1. Schedule of Investments.

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

|   | August 31, 2014            |              |
|---|----------------------------|--------------|
|   | Principal<br>Amount/Shares | Fair Value   |
| Corporate Bonds - 60.8% (1)   |                            |              |
| Crude/Refined Products Pipelines - 4.7% (1)                             |                            |              |
| Canada - 2.1% (1)   |                            |              |
| Gibson Energy Inc., 6.750%, 07/15/2021 (2)                              | \$ 4,500,000               | \$ 4,860,000 |
| United States - 2.6% (1)  |                            |              |
| SemGroup LP, 7.500%, 06/15/2021   | 5,450,000                  | 5,886,000    |
|   |                            | 10,746,000   |
| Local Distribution Pipelines - 6.5% (1)                                 |                            |              |
| United States - 6.5% (1)  |                            |              |
| CenterPoint Energy, Inc., 6.500%, 05/01/2018 (3)                        | 4,000,000                  | 4,642,168    |
| NiSource Finance Corp., 6.400%, 03/15/2018 (3)                          | 3,500,000                  | 4,032,329    |
| Source Gas, LLC, 5.900%, 04/01/2017 (2) (3)                             | 5,770,000                  | 6,058,500    |
|   |                            | 14,732,997   |
| Natural Gas/Natural Gas Liquids Pipelines - 16.9% (1)                   |                            |              |
| Canada - 2.7% (1)   |                            |              |
| TransCanada Pipelines Limited, 6.350%, 05/15/2067                       | 6,000,000                  | 6,247,500    |
| United States - 14.2% (1)   |                            |              |
| El Paso Corp., 6.500%, 09/15/2020 (3)                                   | 6,000,000                  | 6,987,600    |
| EQT Corp., 6.500%, 04/01/2018   | 2,000,000                  | 2,299,086    |
| EQT Corp., 8.125%, 06/01/2019   | 2,000,000                  | 2,481,422    |
| Florida Gas Transmission Co., LLC, 5.450%,<br>07/15/2020 (2) (3)        | 1,500,000                  | 1,694,205    |
| Midcontinent Express Pipeline LLC, 6.700%,<br>09/15/2019 (2)            | 6,000,000                  | 6,795,000    |
| Ruby Pipeline, LLC, 6.000%, 04/01/2022 (2) (3)                          | 1,500,000                  | 1,707,106    |
| Southern Star Central Corp., 5.125%, 07/15/2022 (2)                     | 3,000,000                  | 3,037,500    |
| Southern Star Central Gas Pipeline, Inc., 6.000%,<br>06/01/2016 (2) (3) | 2,000,000                  | 2,128,688    |
| Williams Companies, Inc., 7.875%, 09/01/2021                            | 4,000,000                  | 4,927,724    |
|   |                            | 38,305,831   |
| Natural Gas Gathering/Processing - 4.8% (1)                             |                            |              |
| United States - 4.8% (1)  |                            |              |
| DCP Midstream LLC, 9.750%, 03/15/2019 (2) (3)                           | 5,000,000                  | 6,470,555    |
| Enogex LLC, 6.250%, 03/15/2020 (2) (3)                                  | 4,000,000                  | 4,397,048    |
|   |                            | 10,867,603   |
| Oil and Gas Exploration and Production - 5.7% (1)                       |                            |              |
| United States - 5.7% (1)  |                            |              |
| Carrizo Oil & Gas, Inc., 7.500%, 09/15/2020                             | 2,000,000                  | 2,140,000    |
| Chesapeake Energy Corp., 7.250%, 12/15/2018 (3)                         | 3,500,000                  | 4,068,750    |
| Concho Resources, Inc., 5.500%, 04/01/2023                              | 2,000,000                  | 2,135,000    |

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|   |           |             |
|---|-----------|-------------|
| Denbury Resources Inc., 6.375%, 08/15/2021                    | 1,000,000 | 1,067,500   |
| EP Energy / EP Finance Inc., 9.375%, 05/01/2020 (3)           | 3,000,000 | 3,382,500   |
|   |           | 12,793,750  |
| Oilfield Services - 1.7% (1)                                  |           |             |
| United States - 1.7% (1)                                      |           |             |
| Pride International, Inc., 8.500%, 06/15/2019                 | 3,000,000 | 3,783,228   |
| Power/Utility - 20.5% (1)                                     |           |             |
| United States - 20.5% (1)                                     |           |             |
| CMS Energy Corp., 8.750%, 06/15/2019                          | 5,185,000 | 6,663,835   |
| Dominion Resources, Inc., 8.375%, 06/15/2064 (4)              | 183,000   | 4,721,400   |
| Duquesne Light Holdings, Inc., 6.400%, 09/15/2020 (2)         | 3,000,000 | 3,550,161   |
| Duquesne Light Holdings, Inc., 5.900%, 12/01/2021 (2)         | 2,000,000 | 2,351,466   |
| FPL Group Capital, Inc., 6.650%, 06/15/2067                   | 1,029,000 | 1,052,153   |
| Integrus Energy Group, Inc., 6.110%, 12/01/2066 (3)           | 3,750,000 | 3,843,750   |
| IPALCO Enterprises, Inc., 7.250%, 04/01/2016 (2)              | 4,000,000 | 4,310,000   |
| NRG Energy, Inc., 6.250%, 07/15/2022 (2)                      | 6,000,000 | 6,285,000   |
| NRG Yield LLC, 5.375%, 08/15/2024 (2)                         | 2,500,000 | 2,587,500   |
| NV Energy, Inc., 6.250%, 11/15/2020 (3)                       | 1,000,000 | 1,188,831   |
| PPL Capital Funding, Inc., 6.700%, 03/30/2067 (3)             | 6,000,000 | 6,119,340   |
| Wisconsin Energy Corp., 6.250%, 05/15/2067                    | 3,450,000 | 3,583,687   |
|   |           | 46,257,123  |
| Total Corporate Bonds (Cost \$124,546,162)                    |           | 137,486,532 |
| Master Limited Partnerships and Related Companies - 46.4% (1) |           |             |
| Crude/Refined Products Pipelines - 21.6% (1)                  |           |             |
| United States - 21.6% (1)                                     |           |             |
| Buckeye Partners, L.P. (3)                                    | 54,000    | 4,266,000   |
| Enbridge Energy Management, L.L.C. (3) (5) (6)                | 553,030   | 19,809,528  |
| Genesis Energy, L.P.  | 11,800    | 657,260     |
| Holly Energy Partners, L.P. (3)                               | 56,100    | 2,035,869   |
| Magellan Midstream Partners, L.P. (3)                         | 52,090    | 4,371,914   |
| NuStar Energy L.P. (3)  | 31,200    | 2,062,008   |
| Oiltanking Partners, L.P.                                     | 18,800    | 922,892     |
| Phillips 66 Partners LP                                       | 15,500    | 1,147,000   |
| Plains All American Pipeline, L.P. (3)                        | 72,959    | 4,372,433   |
| Sunoco Logistics Partners L.P. (3)                            | 152,786   | 7,559,851   |
| Tesoro Logistics LP   | 13,400    | 941,752     |
| Valero Energy Partners LP                                     | 13,794    | 735,358     |
|   |           | 48,881,865  |
| Natural Gas/Natural Gas Liquids Pipelines - 17.5% (1)         |           |             |
| United States - 17.5% (1)                                     |           |             |
| Energy Transfer Equity, L.P. (3)                              | 33,384    | 2,024,739   |
| Energy Transfer Partners, L.P. (3)                            | 101,200   | 5,813,940   |
| Enterprise Products Partners L.P. (3)                         | 190,024   | 7,720,675   |

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|   |         |                |
|---|---------|----------------|
| Kinder Morgan Management, LLC (3) (5)   | 191,881 | 18,750,627     |
| ONEOK Partners, L.P. (3)  | 61,203  | 3,637,294      |
| Regency Energy Partners, L.P. (3)   | 47,552  | 1,568,265      |
|   |         | 39,515,540     |
| Natural Gas Gathering/Processing - 7.3% (1)   |         |                |
| United States - 7.3% (1)  |         |                |
| Access Midstream Partners, L.P.   | 10,700  | 688,545        |
| DCP Midstream Partners, LP (3)  | 71,827  | 4,063,972      |
| EnLink Midstream Partners, L.P.   | 22,400  | 694,176        |
| MarkWest Energy Partners, L.P. (3)  | 56,700  | 4,520,691      |
| Targa Resources Partners L.P. (3)   | 86,500  | 6,435,600      |
|   |         | 16,402,984     |
| Total Master Limited Partnerships and Related Companies (Cost \$35,768,523)         |         | 104,800,389    |
| Common Stock - 9.3% (1)   |         |                |
| Natural Gas/Natural Gas Liquids Pipelines - 2.6% (1)                                |         |                |
| United States - 2.6% (1)  |         |                |
| ONEOK, Inc.   | 19,100  | 1,340,820      |
| Spectra Energy Corp.  | 45,500  | 1,895,530      |
| Williams Companies, Inc.  | 43,103  | 2,562,042      |
|   |         | 5,798,392      |
| Power/Utility - 6.7% (1)  |         |                |
| United Kingdom - 1.6% (1)   |         |                |
| Abengoa Yield plc   | 91,707  | 3,678,368      |
| United States - 5.1% (1)  |         |                |
| NextEra Energy Partners, LP   | 79,127  | 2,778,149      |
| NRG Yield, Inc.   | 94,610  | 5,145,838      |
| TerraForm Power, Inc.   | 117,822 | 3,680,759      |
|   |         | 15,283,114     |
| Total Common Stock (Cost \$15,938,925)  |         | 21,081,506     |
| Short-Term Investment - 0.1% (1)  |         |                |
| United States Investment Company - 0.1% (1)   |         |                |
| Fidelity Institutional Money Market Portfolio - Class I, 0.05% (7) (Cost \$122,891) | 122,891 | 122,891        |
| Total Investments - 116.6% (1) (Cost \$176,376,501)                                 |         | 263,491,318    |
| Interest Rate Swap Contracts - (0.1%) (1)   |         |                |
| \$26,000,000 notional - unrealized depreciation                                     |         | (234,446 )     |
| Other Assets and Liabilities - (16.5%) (1)  |         | (37,232,132 )  |
| Total Net Assets Applicable to Common Stockholders - 100.0% (1)                     |         | \$ 226,024,740 |

(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 \$56,232,729, which represents 24.9% of net assets.

- (3) All or a portion of the security is segregated as collateral for the margin borrowing facility. Security has characteristics that are similar to corporate bonds although it trades in a manner similar to an equity investment.
  - (4) The security has a quoted price in an active market and is classified as a Level 1 investment within the fair value hierarchy. Security distributions are
  - (5) paid-in-kind.
  - (6) A portion of the security is segregated as collateral for the unrealized depreciation of interest rate swap contracts of \$234,446.
  - (7) Rate indicated is the current yield as of August 31, 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 August 31, 2014. These assets are measured on a recurring basis.

| Description   | Fair Value at<br>August 31,<br>2014 | Level 1              | Level 2              | Level 3    |
|---|-------------------------------------|----------------------|----------------------|------------|
| <b>Assets</b>   |                                     |                      |                      |            |
| <b>Debt Securities:</b>                                 |                                     |                      |                      |            |
| Corporate Bonds(a)                                      | \$137,486,532                       | \$4,721,400          | \$132,765,132        | \$-        |
| <b>Equity Securities:</b>                               |                                     |                      |                      |            |
| Common Stock(a)   | 21,081,506                          | 21,081,506           | -                    | -          |
| Master Limited Partnerships and Related<br>Companies(a) | 104,800,389                         | 104,800,389          | -                    | -          |
| <b>Other:</b>   |                                     |                      |                      |            |
| Short-Term Investment(b)                                | 122,891                             | 122,891              | -                    | -          |
| <b>Total Assets</b>                                     | <b>\$263,491,318</b>                | <b>\$130,726,186</b> | <b>\$132,765,132</b> | <b>\$-</b> |
| <b>Liabilities</b>                                      |                                     |                      |                      |            |
| Interest Rate Swap Contracts                            | \$234,446                           | \$-                  | \$234,446            | \$-        |

(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 August 31, 2014.

The Company did not hold any Level 3 securities during the period from December 1, 2013 through August 31, 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 August 31, 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 August 31, 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     | \$ 6,470,555  | 2.9 %                               |
| Duquesne Light Holdings, Inc., 6.400%, 09/15/2020            | 3,000,000        | 11/30/11            | 3,180,330        | 3,550,161     | 1.6                                 |
| Duquesne Light Holdings, Inc., 5.900%, 12/01/2021            | 2,000,000        | 11/18/11-12/05/11   | 2,074,420        | 2,351,466     | 1.0                                 |
| Enogex LLC, 6.250%, 03/15/2020                               | 4,000,000        | 02/26/10-04/22/10   | 4,118,593        | 4,397,048     | 1.9                                 |
| Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020        | 1,500,000        | 07/08/10-01/04/11   | 1,551,220        | 1,694,205     | 0.8                                 |
| Gibson Energy Inc., 6.750%, 07/15/2021                       | 4,500,000        | 06/26/13-07/01/13   | 4,459,760        | 4,860,000     | 2.2                                 |
| IPALCO Enterprises, Inc., 7.250%, 04/01/2016                 | 4,000,000        | 11/03/09-01/04/11   | 4,165,000        | 4,310,000     | 1.9                                 |
| Midcontinent Express Pipeline, LLC, 6.700%, 09/15/2019       | 6,000,000        | 09/09/09-03/02/10   | 6,055,570        | 6,795,000     | 3.0                                 |
| NRG Energy, Inc., 6.250%, 07/15/2022                         | 6,000,000        | 02/11/14            | 6,135,000        | 6,285,000     | 2.8                                 |
| NRG Yield LLC, 5.375%, 08/15/2024                            | 2,500,000        | 07/31/14            | 2,530,000        | 2,587,500     | 1.1                                 |
| Ruby Pipeline, LLC, 6.000%, 04/01/2022                       | 1,500,000        | 09/17/12            | 1,616,250        | 1,707,106     | 0.8                                 |
| Source Gas, LLC, 5.900%, 04/01/2017                          | 5,770,000        | 04/21/10            | 5,544,521        | 6,058,500     | 2.7                                 |
| Southern Star Central Corp., 5.125%, 07/15/2022              | 3,000,000        | 06/17/14            | 3,041,250        | 3,037,500     | 1.3                                 |
| Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016 | 2,000,000        | 08/24/09            | 1,970,000        | 2,128,688     | 0.9                                 |
|  |                  |                     | \$ 52,494,284    | \$ 56,232,729 | 24.9 %                              |

As of August 31, 2014, the aggregate cost of securities for federal income tax purposes was \$169,225,632. The aggregate gross unrealized appreciation for all securities in which there was an excess of fair value over tax cost was \$94,481,721, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over fair value was \$216,035 and the net unrealized appreciation was \$94,265,686.





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.

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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: October 30, 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: October 30, 2014

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

Tortoise Power and Energy Infrastructure Fund, Inc.

Date: October 30, 2014

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