

TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC

Form N-Q

October 26, 2011

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: August 31, 2011

Item 1. Schedule of Investments.

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

	August 31, 2011	
	Principal Amount/Shares	Fair Value
Corporate Bonds - 69.5% (1)		
Natural Gas/Natural Gas Liquids Pipelines - 19.7% (1)		
Canada - 3.5% (1)		
TransCanada Pipelines Limited, 6.350%, 05/15/2067	\$ 6,000,000	\$ 6,048,732
United States - 16.2% (1)		
El Paso Corp., 6.500%, 09/15/2020	5,000,000	5,399,850
Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020 (2)	1,500,000	1,688,098
Midcontinent Express Pipeline LLC, 6.700%, 09/15/2019 (2)	6,000,000	6,893,880
NGPL PipeCo LLC, 7.119%, 12/15/2017 (2)	4,000,000	4,316,644
Southern Star Central Corp., 6.750%, 03/01/2016	2,745,000	2,690,100
Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016 (2)	2,000,000	2,251,800
Southern Union Co., 7.600%, 02/01/2024	3,500,000	4,253,333
		33,542,437
Natural Gas Gathering/Processing - 5.9% (1)		
United States - 5.9% (1)		
DCP Midstream LLC, 9.750%, 03/15/2019 (2)	4,000,000	5,367,380
Enogex LLC, 6.250%, 03/15/2020 (2)	4,000,000	4,591,728
		9,959,108
Oil and Gas Exploration and Production - 5.4% (1)		
United States - 5.4% (1)		
Chesapeake Energy Corp., 7.250%, 12/15/2018	2,000,000	2,150,000
Encore Acquisition Co., 9.500%, 05/01/2016	1,500,000	1,642,500
Newfield Exploration Co., 7.125%, 05/15/2018	1,000,000	1,040,000
Pioneer Natural Resources Co., 6.875%, 05/01/2018	1,000,000	1,083,169
Plains Exploration & Production Co., 10.000%, 03/01/2016	3,000,000	3,315,000
		9,230,669
Oilfield Services - 2.3% (1)		
United States - 2.3% (1)		
Pride International, Inc., 8.500%, 06/15/2019	3,000,000	3,870,924
Power/Utility - 34.3% (1)		
United States - 34.3% (1)		
Ameren Illinois Power Co., 9.750%, 11/15/2018	2,000,000	2,672,320
CenterPoint Energy, Inc., 6.500%, 05/01/2018	4,000,000	4,753,492
CMS Energy Corp., 8.750%, 06/15/2019	4,185,000	5,059,087
Dominion Resources, Inc., 8.375%, 06/15/2064	183,000	5,316,150

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FPL Group Capital, Inc., 6.650%, 06/15/2067	1,029,000	995,558
Integrus Energy Group, Inc., 6.110%, 12/01/2066	3,750,000	3,581,250
IPALCO Enterprises, Inc., 7.250%, 04/01/2016 (2)	4,000,000	4,287,060
NiSource Finance Corp., 6.400%, 03/15/2018	3,500,000	4,118,170
North American Energy Alliance LLC, 10.875%, 06/01/2016 (2)	2,800,000	2,982,000
NRG Energy, Inc., 8.500%, 06/15/2019	6,000,000	6,120,000
PPL Capital Funding, Inc., 6.700%, 03/30/2067	6,000,000	5,790,000
Sierra Pacific Resources, 6.750%, 08/15/2017	3,000,000	3,101,094
Source Gas, LLC, 5.900%, 04/01/2017 (2)	5,770,000	6,020,124
Wisconsin Energy Corp., 6.250%, 05/15/2067	3,450,000	3,415,500
		58,211,805
Refining - 1.9% (1)		
United States - 1.9% (1)		
Holly Corp., 9.875%, 06/15/2017	3,000,000	3,285,000
Total Corporate Bonds (Cost \$107,805,944)		118,099,943
Master Limited Partnerships and Related Companies - 48.8% (1)		
Crude/Refined Products Pipelines - 24.5% (1)		
United States - 24.5% (1)		
Buckeye Partners, L.P.	25,300	\$ 1,593,394
Enbridge Energy Management, L.L.C. (3)	569,444	15,682,486
Holly Energy Partners, L.P.	27,549	1,396,734
Kinder Morgan Management, LLC (3) (4)	275,481	16,666,573
Magellan Midstream Partners, L.P.	19,400	1,163,418
NuStar Energy L.P.	32,600	1,929,920
Plains All American Pipeline, L.P.	16,500	1,000,395
Sunoco Logistics Partners L.P.	26,481	2,270,746
		41,703,666
Natural Gas/Natural Gas Liquids Pipelines - 13.0% (1)		
United States - 13.0% (1)		
Boardwalk Pipeline Partners, LP	120,000	3,012,000
Duncan Energy Partners L.P.	101,700	4,324,284
Energy Transfer Equity, L.P.	27,809	1,063,416
Energy Transfer Partners, L.P.	107,700	4,852,962
Enterprise Products Partners L.P.	33,600	1,416,240
Niska Gas Storage Partners LLC	6,866	87,061
ONEOK Partners, L.P.	133,200	5,788,872
Regency Energy Partners, L.P.	10,600	253,128
Williams Partners, L.P.	23,932	1,296,636
		22,094,599
Natural Gas Gathering/Processing - 8.0% (1)		
United States - 8.0% (1)		
Copano Energy, L.L.C.	93,200	3,021,544
DCP Midstream Partners, LP	85,200	3,303,204
MarkWest Energy Partners, L.P.	56,700	2,724,435

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Targa Resources Partners L.P.	132,417	4,541,903
		13,591,086
Propane Distribution - 3.3% (1)		
United States - 3.3% (1)		
Inergy, L.P.	197,500	5,601,100
Total Master Limited Partnerships and Related Companies (Cost \$50,720,341)		
82,990,451		
Short-Term Investment - 0.0% (1)		
United States Investment Company - 0.0% (1)		
Fidelity Institutional Money Market Portfolio - Class I, 0.11% (5) (Cost \$51,888)		
	51,888	51,888
Total Investments - 118.3% (1) (Cost \$158,578,173)		
		201,142,282
Long-Term Debt Obligations - (11.8%) (1)		
		(20,000,000)
Interest Rate Swap Contracts - (0.6%) (1)		
\$27,000,000 notional - Unrealized Depreciation		
		(1,095,788)
Other Assets and Liabilities - (5.9%) (1)		
		(10,069,581)
Total Net Assets Applicable to Common Stockholders - 100.0% (1)		
		\$ 169,976,913

- (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 \$38,398,714, which represents 22.6% of net assets.
- (3) Security distributions are paid-in-kind.
- (4) A portion of the security is segregated as collateral for the unrealized depreciation of interest rate swap contracts.
- (5) Rate indicated is the current yield as of August 31, 2011.

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 August 31, 2011. These assets and liabilities are measured on a recurring basis.

Description	Fair Value at August 31, 2011	Level 1	Level 2	Level 3
Assets				
Debt Securities:				
Corporate Bonds(a)	\$ 118,099,943	\$ 5,316,150	\$ 112,783,793	\$-
Total Debt Securities	118,099,943	5,316,150	112,783,793	-
Equity Securities:				
Master Limited Partnerships and Related Companies(a)	82,990,451	82,990,451	-	-
Total Equity Securities	82,990,451	82,990,451	-	-
Other:				
Short-Term Investment(b)	51,888	51,888	-	-
Total Other	51,888	51,888	-	-
Total Assets	\$ 201,142,282	\$ 88,358,489	\$ 112,783,793	\$-
Liabilities				
Interest Rate Swap Contracts	\$ 1,095,788	\$-	\$ 1,095,788	\$-
Total	\$ 200,046,494	\$ 88,358,489	\$ 111,688,005	\$-

(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, 2011.

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.

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, 2010 through August 31, 2011.

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, 2011.

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	\$ 5,367,380	3.2%
Enogex LLC, 6.250%, 03/15/2020	4,000,000	02/26/10-04/22/10	4,118,593	4,591,728	2.7
Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020	1,500,000	07/08/10-01/04/11	1,551,220	1,688,098	1.0
IPALCO Enterprises, Inc., 7.250%, 04/01/2016	4,000,000	11/03/09-01/04/11	4,165,000	4,287,060	2.5
Midcontinent Express Pipelines, LLC, 6.700%, 09/15/2019	6,000,000	09/09/09-03/02/10	6,055,570	6,893,880	4.1
NGPL PipeCo LLC, 7.119%, 12/15/2017	4,000,000	07/29/10-09/28/10	4,280,000	4,316,644	2.5
North American Energy Alliance LLC, 10.875%, 06/01/2016	2,800,000	09/24/09-10/08/09	2,895,000	2,982,000	1.8
Source Gas, LLC, 5.900%, 04/01/2017	5,770,000	04/21/10	5,544,521	6,020,124	3.5
Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016	2,000,000	08/24/09	1,970,000	2,251,800	1.3
			\$	\$	
			35,349,254	38,398,714	22.6%

As of August 31, 2011, the aggregate cost of securities for federal income tax purposes was \$153,655,068. The aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$47,513,679, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$26,465 and the net unrealized appreciation was \$47,487,214.

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: October 26, 2011

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 26, 2011

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

Tortoise Power and Energy Infrastructure Fund, Inc.

Date: October 26, 2011

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