

TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC

Form N-Q

April 26, 2010

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 28, 2010

Item 1. Schedule of Investments.

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

| | February 28, 2010 | |
|---|-------------------------|--------------|
| | Principal Amount/Shares | |
| | | Fair Value |
| Corporate Bonds - 66.7% (1) | | |
| Crude/Refined Products Pipelines - 1.5% (1) | | |
| Canada - 1.5% (1) | | |
| Gibson Energy ULC/GEP Midstream Finance Corp., 10.000%, 01/15/2018 (2) | \$ 2,250,000 | \$ 2,193,750 |
| Natural Gas/Natural Gas Liquids Pipelines - 17.2% (1) | | |
| Canada - 3.7% (1) | | |
| TransCanada Pipelines Limited, 6.350%, 05/15/2067 | 6,000,000 | 5,638,680 |
| United States - 13.5% (1) | | |
| El Paso Corp., 12.000%, 12/12/2013 | 4,000,000 | 4,650,000 |
| Midcontinent Express Pipeline LLC, 6.700%, 09/15/2019 (2) | 5,000,000 | 5,262,290 |
| Southern Star Central Corp., 6.750%, 03/01/2016 | 2,745,000 | 2,717,550 |
| Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016 (2) | 2,000,000 | 2,050,000 |
| Southern Union Co., 7.600%, 02/01/2024 | 3,500,000 | 3,972,070 |
| The Williams Companies, Inc., 8.750%, 03/15/2032 | 1,482,000 | 1,873,724 |
| | | 26,164,314 |
| Natural Gas Gathering/Processing - 5.3% (1) | | |
| United States - 5.3% (1) | | |
| DCP Midstream LLC, 9.750%, 03/15/2019 (2) | 4,000,000 | 5,068,588 |
| Enogex LLC, 6.250%, 03/15/2020 (2) | 3,000,000 | 3,034,884 |
| | | 8,103,472 |
| Oil and Gas Exploration and Production - 4.5% (1) | | |
| United States - 4.5% (1) | | |
| Encore Acquisition Co., 9.500%, 05/01/2016 | 1,500,000 | 1,597,500 |
| Newfield Exploration Co., 7.125%, 05/15/2018 | 1,000,000 | 1,000,000 |
| Pioneer Natural Resources Co., 6.875%, 05/01/2018 | 1,000,000 | 983,508 |
| Plains Exploration & Production Co., 10.000%, 03/01/2016 | 3,000,000 | 3,262,500 |
| | | 6,843,508 |
| Oilfield Services - 2.2% (1) | | |
| United States - 2.2% (1) | | |
| Pride International, Inc., 8.500%, 06/15/2019 | 3,000,000 | 3,352,500 |
| Power/Utility - 34.0% (1) | | |
| United States - 34.0% (1) | | |
| Ameren Corp., 8.875%, 05/15/2014 | 2,000,000 | 2,327,672 |
| CenterPoint Energy, Inc., 6.500%, 05/01/2018 | 5,000,000 | 5,327,125 |

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| | | |
|--|-----------|-------------|
| CMS Energy Corp., 6.250%, 02/01/2020 | 1,000,000 | 978,803 |
| CMS Energy Corp., 8.750%, 06/15/2019 | 4,185,000 | 4,710,690 |
| Dominion Resources, Inc., 8.375%, 06/15/2064 | 183,000 | 5,206,350 |
| FPL Group Capital, Inc., 6.650%, 06/15/2067 | 1,029,000 | 956,970 |
| Illinois Power Co., 9.750%, 11/15/2018 | 2,000,000 | 2,598,492 |
| IPALCO Enterprises, Inc., 7.250%, 04/01/2016 (2) | 2,000,000 | 2,020,000 |
| NiSource Finance Corp., 10.750%, 03/15/2016 | 5,000,000 | 6,408,875 |
| North American Energy Alliance LLC, 10.875%, 06/01/2016 (2) | 2,800,000 | 2,968,000 |
| NRG Energy, Inc., 8.500%, 06/15/2019 | 6,000,000 | 5,992,500 |
| PPL Capital Funding, Inc., 6.700%, 03/30/2067 | 6,000,000 | 5,190,000 |
| Sierra Pacific Resources, 6.750%, 08/15/2017 | 3,000,000 | 3,030,741 |
| Wisconsin Energy Corp., 6.250%, 05/15/2067 | 3,450,000 | 3,182,625 |
| WPS Resources Corp., 6.110%, 12/01/2066 | 1,000,000 | 870,000 |
| | | 51,768,843 |
| Refining - 2.0% (1) | | |
| United States - 2.0% (1) | | |
| Holly Corp., 9.875%, 06/15/2017 (2) | 3,000,000 | 3,075,000 |
| | | |
| Total Corporate Bonds (Cost \$97,234,385) | | 101,501,387 |
| Master Limited Partnerships and Related Companies - 52.3% (1) | | |
| Crude/Refined Products Pipelines - 25.4% (1) | | |
| United States - 25.4% (1) | | |
| Buckeye Partners, L.P. | 25,300 | 1,487,387 |
| Enbridge Energy Management, L.L.C. (3) | 284,339 | 14,214,115 |
| Holly Energy Partners, L.P. | 27,549 | 1,173,312 |
| Kinder Morgan Management, LLC (3)(4) | 282,415 | 16,196,500 |
| Magellan Midstream Partners, L.P. | 21,600 | 977,184 |
| NuStar Energy L.P. | 32,600 | 1,870,914 |
| Plains All American Pipeline, L.P. | 16,500 | 914,265 |
| Sunoco Logistics Partners L.P. | 26,481 | 1,797,001 |
| | | 38,630,678 |
| Natural Gas/Natural Gas Liquids Pipelines - 15.5% (1) | | |
| United States - 15.5% (1) | | |
| Boardwalk Pipeline Partners, LP | 120,000 | 3,592,800 |
| Duncan Energy Partners L.P. | 243,900 | 6,217,011 |
| El Paso Pipeline Partners, L.P. | 35,600 | 921,684 |
| Energy Transfer Equity, L.P. | 37,600 | 1,215,232 |
| Energy Transfer Partners, L.P. | 107,700 | 4,984,356 |
| Enterprise Products Partners L.P. | 33,600 | 1,100,736 |
| ONEOK Partners, L.P. | 66,600 | 4,039,290 |
| Spectra Energy Partners, LP | 26,960 | 808,261 |
| Williams Pipeline Partners L.P. | 23,645 | 690,197 |
| | | 23,569,567 |
| Natural Gas Gathering/Processing - 6.7% (1) | | |
| United States - 6.7% (1) | | |

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| | | |
|---|---------|---|
| Copano Energy, L.L.C. | 93,200 | 2,218,160 |
| DCP Midstream Partners, LP | 85,200 | 2,625,864 |
| MarkWest Energy Partners, L.P. | 56,700 | 1,677,186 |
| Targa Resources Partners LP | 132,417 | 3,310,425 |
| Western Gas Partners LP | 15,300 | 327,114 |
| | | 10,158,749 |
| Propane Distribution - 4.7% (1) | | |
| United States - 4.7% (1) | | |
| Inergy, L.P. | 200,900 | 7,256,508 |
| Total Master Limited Partnerships and Related Companies (Cost \$62,198,811) | | |
| | | 79,615,502 |
| Short-Term Investment - 0.0% (1) | | |
| United States Investment Company - 0.0% (1) | | |
| Fidelity Institutional Government Portfolio - Class I, 0.03% (5) (Cost \$22,611) | 22,611 | 22,611 |
| Total Investments - 119.0% (1) (Cost \$159,455,807) | | |
| | | 181,139,500 |
| Long-Term Debt Obligations - (13.1%) (1) | | |
| | | (20,000,000) |
| Interest Rate Swap Contracts - (0.2%) (1) | | |
| | | \$27,000,000 notional - Unrealized Depreciation |
| | | (297,073) |
| Other Assets and Liabilities - (5.7%) (1) | | |
| | | (8,611,351) |
| Total Net Assets Applicable to Common Stockholders | | |
| - 100.0% (1) | | \$ 152,231,076 |

- (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 \$25,672,512, which represents 16.9% of net assets.
- (3) Security distributions are paid-in-kind.
- (4) All or 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 February 28, 2010.

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 28, 2010. These assets and liabilities are measured on a recurring basis.

| Description | Fair Value at February 28, 2010 | Fair Value Measurements at Reporting Date Using Quoted Prices | | |
|---|---------------------------------------|--|---|--|
| | | in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Debt Securities: | | | | |
| Corporate Bonds(a) | \$ 101,501,387 | \$ 5,206,350 | \$ 96,295,037 | \$ - |
| Total Debt Securities | 101,501,387 | 5,206,350 | 96,295,037 | - |
| Equity Securities: | | | | |
| Master Limited Partnerships and Related Companies(a) | | | | |
| Total Equity Securities | 79,615,502 | 79,615,502 | - | - |
| Other: | | | | |
| Short-Term Investment(b) | 22,611 | 22,611 | - | - |
| Total Other | 22,611 | 22,611 | - | - |
| Total Assets | \$ 181,139,500 | \$ 84,844,463 | \$ 96,295,037 | \$ - |
| Liabilities | \$ 297,073 | \$ - | \$ 297,073 | \$ - |
| Interest Rate Swap Contracts | | | | |
| Total | \$ 180,842,427 | \$ 84,844,463 | \$ 95,997,964 | \$ - |

(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, 2010.

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.

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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 investments.

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 percent of net assets which the securities comprise at February 28, 2010.

| Company | 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 | \$5,068,588 | 3.3% |
| Enogex LLC, 6.250%, 03/15/2020 | 3,000,000 | 02/26/10 | 3,079,770 | 3,034,884 | 2.0 |
| Gibson Energy ULC/GEP Midstream Finance Corp., 10.000%, 01/15/2018 | 2,250,000 | 01/13/10-01/29/10 | 2,210,870 | 2,193,750 | 1.4 |
| Holly Corp., 9.875%, 06/15/2017 | 3,000,000 | 10/21/09-01/07/10 | 3,120,000 | 3,075,000 | 2.0 |
| IPALCO Enterprises, Inc., 7.250%, 04/01/2016 | 2,000,000 | 11/03/2009 | 2,015,000 | 2,020,000 | 1.3 |
| Midcontinent Express Pipelines, LLC, 6.700%, 09/15/2019 | 5,000,000 | 09/09/2009 | 4,993,200 | 5,262,290 | 3.5 |
| North American Energy Alliance, LLC, 10.875%, 06/01/2016 | 2,800,000 | 09/24/09-10/08/09 | 2,895,000 | 2,968,000 | 2.0 |
| Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016 | 2,000,000 | 08/24/2009 | 1,970,000 | 2,050,000 | 1.4 |
| | | | \$25,053,190 | \$25,672,512 | 16.9% |

As of February 28, 2010, the aggregate cost of securities for federal income tax purposes was \$159,194,681. The aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$21,944,819, 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 \$21,944,819.

Item 2. Controls and Procedures.

- (a) The registrant's President and 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 26, 2010

By: /s/ David J. Schulte
David J. Schulte
President and 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 26, 2010

By: /s/ David J. Schulte
David J. Schulte
President and Chief Executive
Officer

Tortoise Power and Energy Infrastructure Fund, Inc.

Date: April 26, 2010

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