TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC
Form N-CSR
January 21, 2015

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

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: **November 30, 2014**

Item 1. Report to Stockholders.

Company at a Glance

Tortoise Power and Energy Infrastructure Fund, Inc. (NYSE: TPZ) invests in a portfolio of fixed income and equity securities issued by power and energy infrastructure companies. The Fund s goal is to provide stockholders a high level of current income, with a secondary objective of capital appreciation. The Fund seeks to invest in a portfolio of companies that provide stable and defensive characteristics throughout economic cycles.

Infrastructure Asset Class

Increasingly, institutions have allocated a portion of their investment portfolio to infrastructure due to its desirable investment characteristics, which include:

- Long-term stable asset class with low historical volatility
- Attractive risk-adjusted returns
- Investment diversification through low historical correlation with other asset classes
- A potential inflation hedge through equity investments

For Investors Seeking

- A fund which invests in the historically stable and defensive power and energy infrastructure sectors
- Monthly distributions
- Fund invested in fixed income securities with low volatility and more safety as well as MLPs for growth
- One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings related to individual MLP partnership investments

Power and Energy Infrastructure Operations

At the heart of the infrastructure asset class is power and energy infrastructure:

Power Infrastructure The ownership and operation of asset systems that provide electric power generation (including renewable energy), transmission and distribution.

Energy Infrastructure The ownership and operation of a network of pipeline assets to transport, store, gather, and/or process crude oil, refined petroleum products, natural gas or natural gas liquids (including renewable energy).

Distribution Policy *Tortoise Power and Energy Infrastructure Fund, Inc. (TPZ), with approval of its Board of Directors (the Board), has adopted a distribution policy (the Policy) with the purpose of distributing over the course of each year, through periodic distributions as nearly equal as practicable and any required special distributions, an amount closely approximating the total taxable income of TPZ during such year and, if so determined by the Board, all or a portion of the return of capital paid by portfolio companies to TPZ during such year. In accordance with its Policy, TPZ distributes a fixed amount per common share, currently $0.125, each month to its common shareholders. This amount is subject to change from time to time at the discretion of the Board. Although the level of distributions is independent of TPZ s performance, TPZ expects such distributions to correlate with its performance over time. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions in light of TPZ s performance for the entire calendar year and to enable TPZ to comply with the* *distribution requirements imposed by the Internal Revenue Code. The Board may amend, suspend or terminate the Policy without prior notice to shareholders if it deems such action to be in the best interests of TPZ and its shareholders. For example, the Board might take such action if the Policy had the effect of shrinking TPZ s assets to a level that was determined to be detrimental to TPZ shareholders. The suspension or termination of the Policy could have the effect of creating a trading discount (if TPZ s stock is trading at or above net asset value), widening an existing trading discount, or decreasing an existing premium.*

You should not draw any conclusions about TPZ s investment performance from the amount of the distribution or from the terms of TPZ s distribution policy. TPZ estimates that it has distributed more than its income and net realized capital gains; therefore, a portion of your distribution may be a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in TPZ is paid back to you. A return of capital distribution does not necessarily reflect TPZ s investment performance and should not be confused with yield or income. The amounts and sources of distributions reported are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon TPZ s investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. TPZ will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

December 31, 2014

Dear Fellow Stockholders,

The broad energy sector, including power and energy infrastructure companies, had a strong first three quarters of the fiscal year ending Nov. 30, 2014, benefiting from robust volumes of oil and natural gas being produced out of North American shales. However, energy stocks retreated significantly in the fourth quarter as investors reacted to the drop in crude oil prices. As can be the case in the short term, the market did not necessarily decipher quality, and energy-related stocks across the value chain were affected. As such, power and energy infrastructure companies also pulled back, but to a lesser extent, as they typically are not directly affected by commodity price volatility and tend to have more steady, fee-based revenues.

Factors pressuring oil included increasing global supply, particularly out of Libya, where production had been offline due to political strife, slowing global demand growth and a strengthening U.S. dollar. In addition, during the last week of the fund s fiscal year, oil prices fell sharply following the Organization of the Petroleum Exporting Countries (OPEC) Nov. 27th announcement that it would not cut current crude oil production levels. While this did not have much of an effect on the fund s fiscal year, it did impact its entry into fiscal 2015.

Despite the challenges in the energy sector, which emerged as the worst-performing sector for the fiscal year, broader equity market performance was solid during the same period, with the S&P 500 Index® reaching record highs. The U.S. economy expanded during the year, with a steady stream of upbeat economic data reflecting continued healthy domestic growth, although the global economy continued to struggle, with weakness particularly in Europe and Asia.

Power And Energy Infrastructure Sector Review and Outlook

The TPZ Benchmark Composite* posted a total return of 10.8 percent for the fiscal year ending Nov. 30, 2014 as compared to the S&P 500 Index ® s 16.9 percent as a result of the composite s fixed income exposure. The benchmark composite is comprised of a blend of 70 percent fixed income and 30 percent equity securities issued by companies in the power and energy infrastructure sectors. Both the fixed income and equity portions of the composite contributed, but the equity allocation s contribution was larger, driven by continued gains in the economy and increasing industrial demand, while fixed income holdings were restrained by concerns about rising interest rates. Within the composite, power debt outperformed energy debt during the year. As a proxy for the broader fixed-income market, the Barclays Aggregate Bond Index posted a 5.3 percent return for fiscal 2014, while the 10-year Treasury yield declined from 2.74 percent to 2.16 percent in fiscal 2014.

Despite the steep decline in the price of oil, total U.S. crude oil production remained robust, estimated to average 8.6 million barrels per day (MMbbl/d) in 2014, with 2015 production projected to average 9.3 MMbbl/d.[1] Natural gas production has been equally impressive, projected to reach an estimated average total of 70.0 billion cubic feet per day (Bcf/d) for the lower 48 states in fiscal 2014. Natural gas production is anticipated to grow an average 3.1 percent in 2015.[1] We believe that this robust supply and lower costs will drive greater demand for natural gas from a broad range of consumers, including manufacturers and power generators. We anticipate that progress will continue for energy and power infrastructure companies, whose performance is not highly correlated to the price of oil.

Capital markets continued to underpin sector growth during the fiscal year, with power and energy infrastructure companies raising approximately $209 billion in total capital. Merger and acquisition (M&A) activity was also robust, totaling more than $160 billion for the fiscal year.

Fund Performance Review and Outlook

The fund s total assets increased from $233.8 million on Nov. 30, 2013, to $259.4 million on Nov. 30, 2014. This increase resulted primarily from net realized and unrealized gains on investments and $5 million in new leverage proceeds. The fund s market-based total return was 14.9 percent and its NAV-based total return was 16.8 percent for the fiscal year ending Nov. 30, 2014 (both reflecting the reinvestment of distributions). The bulk of this performance was delivered during the first three quarters of the fund s fiscal year; during the difficult fourth fiscal quarter, the fund s market-based and NAV-based returns were -7.9 and -3.1 percent, respectively. Fund performance retreated, though to a lesser extent due to the fund s exposure to fixed income securities, as investors responded to falling crude oil prices, affecting even those companies with little or no commodity price risk.

All in, the fund produced relatively strong NAV performance for the fiscal year. The difference between the market value total return and the NAV total return reflected a slight widening in the discount of the fund s stock price relative to its NAV over the year and in the fourth quarter, ending the fiscal year at a 13.4 percent discount to NAV. We are undertaking some efforts that we believe may help improve investor sentiment and could perhaps start closing that gap. We continue to believe in the closed-end fund structure and believe TPZ is fundamentally well-positioned for the longterm, which is particularly relevant in today s environment. We plan to increase education, communication and outreach emphasizing the benefits of the closed-end fund structure and the long-term attractive

(Unaudited)

risk-reward potential of the fund s strategy to both existing and potential stockholders. We ll continue to work internally and with the fund board to explore other areas that may benefit market performance while maintaining our long-term, prudent approach to managing the fund.

The fund paid monthly distributions of $0.125 per common share ($1.50 annualized) throughout the fiscal year. These distributions represented an annualized distribution rate of 5.6 percent based on the fund s fiscal year closing price of $26.90. The fund also paid a distribution of $1.25 per share on Dec. 31, 2014 to meet minimum distribution requirements and to avoid being subject to excise taxes. For tax purposes, distributions to stockholders for 2014 were 65 percent long-term capital gains, 31 percent ordinary dividend income and 4 percent qualified dividend income. The fund ended the fiscal year with leverage (bank debt) at 16.3 percent of total assets. Please refer to the inside front cover of this report for important information about the fund sdistribution policy.

Key Asset Performance Drivers

A number of factors drove the fund s solid asset performance during the fiscal year and the fourth fiscal quarter:

Both the equity and fixed-income components of the fund contributed to absolute performance for the fiscal year, with the contribution from equities pulling ahead of that delivered by the fund s fixed-income exposure due to concern about rising interest rates. However in the fourth fiscal quarter, exposure to fixed income helped as the energy equity market struggled.

The fund s stake in natural gas pipeline companies contributed the most to absolute performance for the fiscal year, as these firms benefited from the increasing need for greater pipeline takeaway capacity, particularly from the Marcellus. Although, these holdings restrained performance in the fourth quarter as natural gas liquids (NGL) prices declined along with crude oil prices due to anticipation of decreased growth in volumes.

The fund s stake in crude oil pipeline companies that benefited from increased production added to absolute performance for the fiscal year, but restrained performance in the fourth quarter as crude oil prices declined due to anticipation of decreased growth in volumes.

Power companies, which are a strategic area of focus for the fund, positively contributed to results for the fiscal year, and helped in relative terms in the fourth quarter when they performed much better than other areas of the sector. Contributors in the group included selected YieldCos (utility and power companies with a high yield and visible growth component) that are benefiting from long-term contracts for power generation.

Additional information about the fund s financial performance, distributions and leverage is available in the Key Financial Data and Management s Discussion sections of this report.

Concluding Thoughts

Despite recent volatility in the energy sector, we believe that over the long term, production growth will continue, albeit perhaps at a slower pace, nonetheless helping North American power and energy infrastructure companies that are well positioned to benefit from strong demand growth in the months ahead. We believe a portfolio providing exposure to essential power and energy assets that are diversified through both location and the products they transport will help investors through this volatility. We believe that TPZ offers stockholders an attractive, long-term investment opportunity anchored in current income, despite current challenges in the energy market.

Sincerely,

The Managing Directors
Tortoise Capital Advisors, L.L.C.
The adviser to Tortoise Power and Energy Infrastructure Fund, Inc.

**TPZ Benchmark Index includes the BofA Merrill Lynch US Energy Index (CIEN), the BofA Merrill Lynch US Electricity Index (CUEL) and the Tortoise MLP Index (TMLP).*
Performance data quoted represents past performance; past performance does not guarantee future results. Like any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost.
[1] Energy Information Administration, Dec. 2014

(Unaudited)

Key Financial Data *(Supplemental Unaudited Information)*

(dollar amounts in thousands unless otherwise indicated)

The information presented below regarding Distributable Cash Flow and Selected Financial Information is supplemental non-GAAP financial information, which we believe is meaningful to understanding our operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and we believe they are an important supplemental measure of performance and promote comparisons from period-to-period. This information is supplemental, is not inclusive of required financial disclosures (e.g. Total Expense Ratio), and should be read in conjunction with our full financial statements.

	Year Ended November 30,		2013	2014			
	2013	2014	Q4(1)	Q1(1)	Q2(1)	Q3(1)	Q4(1)
Total Income from Investments							
Interest earned on corporate bonds	$ 8,290	$ 8,298	$ 2,098	$ 2,091	$ 2,057	$ 2,043	$ 2,107
Dividends and distributions from equity securities	3,344	3,341	809	808	833	782	918
Dividends paid in stock	2,345	2,296	602	615	620	564	497
Total from investments	13,979	13,935	3,509	3,514	3,510	3,389	3,522
Operating Expenses Before Leverage Costs							
Advisory fees, net of fees waived	1,953	2,212	487	507	545	579	581
Other operating expenses	500	531	131	132	136	131	132
	2,453	2,743	618	639	681	710	713
Distributable cash flow before leverage costs	11,526	11,192	2,891	2,875	2,829	2,679	2,809
Leverage costs(2)	793	764	188	187	191	194	192
Distributable Cash Flow(3)	$10,733	$10,428	$ 2,703	$ 2,688	$ 2,638	$ 2,485	$ 2,617
Net realized gain on investments	$10,216	$14,147	$ 1,952	$ 1,524	$ 13	$ 8,061	$ 4,549
As a percent of average total assets(4)							
Total from investments	6.05%	5.62%	6.07%	6.06%	5.78%	5.24%	5.43
Operating expenses before leverage costs	1.06%	1.11%	1.07%	1.10%	1.12%	1.10%	1.10
Distributable cash flow before leverage costs	4.99%	4.51%	5.00%	4.96%	4.66%	4.14%	4.33
As a percent of average net assets(4)							
Total from investments	7.22%	6.68%	7.29%	7.27%	6.87%	6.20%	6.45
Operating expenses before leverage costs	1.27%	1.31%	1.28%	1.32%	1.33%	1.30%	1.31
Leverage costs	0.41%	0.37%	0.39%	0.39%	0.37%	0.35%	0.35
Distributable cash flow	5.54%	5.00%	5.62%	5.56%	5.17%	4.55%	4.79
Selected Financial Information							
Distributions paid on common stock	$10,427	$10,427	$ 2,607	$ 2,607	$ 2,607	$ 2,606	$ 2,607
Distributions paid on common stock per share	1.500	1.500	0.375	0.375	0.375	0.375	0.375
Total assets, end of period	233,832	259,361	233,832	236,367	247,186	266,208	259,361
Average total assets during period(5)	231,213	247,823	231,996	235,168	241,067	256,362	260,127
Leverage(6)	37,400	42,400	37,400	37,400	37,900	39,400	42,400
Leverage as a percent of total assets	16.0%	16.3%	16.0%	15.8%	15.3%	14.8%	16.3
Net unrealized appreciation, end of period	61,970	73,587	61,970	63,884	75,935	86,880	73,587
Net assets, end of period	195,484	216,048	195,484	197,620	208,421	226,025	216,048
Average net assets during period(7)	193,670	208,698	193,161	195,964	202,603	216,927	219,134
Net asset value per common share	28.12	31.08	28.12	28.43	29.98	32.52	31.08
Market value per common share	24.74	26.90	24.74	25.47	27.44	29.62	26.90
Shares outstanding (000 s)	6,951	6,951	6,951	6,951	6,951	6,951	6,951

(1) Q1 is the period from December through February. Q2 is the period from March through May. Q3 is the period from June through August. Q4 is the period from September through November.

(2) Leverage costs include interest expense, interest rate swap expenses and other leverage expenses.

(3) Net investment income on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow (DCF): increased by the return of capital on distributions, the value of paid-in-kind distributions, amortization of debt issuance costs and the change in methodology for calculating amortization of premiums or discounts; and decreased by realized and unrealized gains (losses) on interest rate swap settlements.

(4) Annualized for periods less than one full year.

(5) Computed by averaging month-end values within each period.

(6) Leverage consists of outstanding borrowings under the revolving credit facility.

(7) Computed by averaging daily net assets within each period.

Management s Discussion *(Unaudited)*

The information contained in this section should be read in conjunction with our Financial Statements and the Notes thereto. In addition, this report contains certain forward-looking statements. These statements include the plans and objectives of management for future operations and financial objectives and can be identified by the use of forward-looking terminology such as may, will, expect, intend, anticipate, estimate, or continue or the negative thereof or other variations thereon or comparabl terminology. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results and conditions to differ materially from those projected in these forward-looking statements are set forth in the Risk Factors section of our public filings with the SEC.

Overview

Tortoise Power and Energy Infrastructure Fund, Inc. s (TPZ) primary investment objective is to provide a high level of current income, with a secondary objective of capital appreciation. We seek to provide our stockholders a vehicle to invest in a portfolio consisting primarily of securities issued by power and energy infrastructure companies. Power infrastructure operations use asset systems to provide electric power generation (including renewable energy), transmission and distribution. Energy infrastructure operations use a network of pipeline assets to transport, store, gather and/or process crude oil, refined petroleum products (including biodiesel and ethanol), natural gas or natural gas liquids. We believe the power and energy infrastructure sectors provide stable and defensive characteristics throughout economic cycles. A majority of the investments are in fixed income securities with the remainder invested in equities which provide growth potential.

TPZ is a registered non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act), and expects to qualify each year as a regulated investment company (RIC) under the U.S. Internal Revenue Code of 1986, as amended (the Code). Tortoise Capital Advisors, L.L.C. (the Adviser) serves as investment adviser.

Company Update

Increased market values of our investments and additional leverage utilization led to slightly higher average total assets during 4th quarter 2014. However, declining market values of our debt and equity investments at the end of the 4th quarter led to an overall decrease in total assets of $6.8 million as compared to the end of the 3rd quarter. Total income received from our investments increased and our total operating expenses also increased slightly during the quarter, mainly due to increased average managed assets. We maintained our regular monthly distribution of $0.125 per share. Additional information on the results of our operations is discussed in more detail below.

Critical Accounting Policies

The financial statements are based on the selection and application of critical accounting policies, which require management to make significant estimates and assumptions. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management s most difficult, complex, or subjective judgments. Our critical accounting policies are those applicable to the valuation of investments and certain revenue recognition matters as discussed in Note 2 in the Notes to Financial Statements.

Determining Distributions to Stockholders

We pay monthly distributions based primarily upon our current and estimated future distributable cash flow (DCF). In addition, and to the extent that the sum of our net investment company taxable income and net realized gains from investments exceed our monthly distributions, we intend to make an additional distribution to common stockholders in the last quarter of the calendar year in order to avoid being subject to U.S. federal income taxes at the fund level. Our Board of Directors reviews the distribution rate quarterly and may adjust the monthly distributions throughout the year. Our distribution policy is described on the inside front cover of this report.

Determining DCF

DCF is income from investments less expenses. Income from investments includes the accrued interest from corporate bonds, cash distributions and paid-in-kind distributions from master limited partnerships (MLPs) and other equity investments and dividends earned from short-term investments. The total expenses include current or anticipated operating expenses and leverage costs.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between income from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: (1) GAAP recognizes distribution income from MLPs and common stock on their ex-dates, whereas the DCF calculation may reflect distribution income on their pay dates; (2) GAAP recognizes that a significant portion of the cash distributions received from MLPs are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; (3) income from investments in the DCF calculation includes the value of dividends paid-in-kind (additional stock or units), whereas such amounts are not included as income for GAAP purposes; and (4) amortization of premium or discount for all securities is calculated using the yield to worst methodology for GAAP purposes while yield to call is used in calculating amortization for long-dated hybrid securities in the DCF calculation. The treatment of expenses in the DCF calculation also differs from what is reported in the Statement of Operations. In addition to the total operating expenses, including fee waiver, as disclosed in the Statement of Operations, the DCF calculation reflects interest expense and realized and unrealized gains (losses) on interest rate swap settlements as leverage costs. A reconciliation of Net Investment Income to DCF is included below in Distributable Cash Flow and Capital Gains.

Management s Discussion *(Unaudited)*
(Continued)

Income from Investments

We seek to achieve our investment objectives by investing in income-producing fixed income and equity securities of companies that we believe offer attractive distribution rates. We evaluate each holding based upon its contribution to our investment income and its risk relative to other potential investments.

Total income from investments for the 4th quarter 2014 was approximately $3.5 million, an increase of 3.9 percent as compared to 3rd quarter 2014 and an increase of 0.4 percent as compared to 4th quarter 2013. These changes reflect increases in per share distribution rates on our equity investments and distributions received from additional investments funded from leverage proceeds. In addition, income was impacted by trading activity wherein certain investments with higher current yields and lower expected future growth were sold and replaced with investments that had lower current yields and higher expected future growth, the timing of receipt of distributions from new investments, as well as fixed income investments that have been refinanced in a lower interest rate environment.

Expenses

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee, and (2) leverage costs. On a percentage basis, operating expenses before leverage costs were an annualized 1.10 percent of average total assets for 4th quarter 2014, unchanged as compared to the 3rd quarter 2014 and an increase of 0.03 percent as compared to the 4th quarter 2013. Advisory fees, net of fees waived, for 4th quarter 2014 increased slightly as compared to 3rd quarter 2014 due to an increase in average monthly managed assets during the quarter. While the contractual advisory fee is 0.95 percent of average monthly managed assets, the Adviser waived an amount equal to 0.10 percent of average monthly managed assets for calendar year 2013, and has agreed to waive 0.05 percent of average monthly managed assets for calendar year 2014. Other operating expenses increased slightly as compared to 3rd quarter 2014.

Leverage costs consist of two major components: (1) the direct interest expense, which will vary from period to period as our margin borrowing facility has a variable interest rate, and (2) the realized and unrealized gain or loss on our interest rate swap settlements. Detailed information on our margin borrowing facility is included in the Liquidity and Capital Resources section below. Interest accrues on the margin facility at a rate equal to one-month LIBOR plus 0.80 percent. The annual rate of leverage may vary in future periods as a result of changes in LIBOR, the spread charged on the facility, and maturity of our interest rate swap contracts.

The average annualized total cost of leverage was 1.84 percent as of November 30, 2014. Total leverage costs for DCF purposes were approximately $192,000 for the 4th quarter 2014. Although we had slightly higher leverage outstanding during 4th quarter 2014, leverage costs decreased slightly as compared to 3rd quarter 2014 due to lower interest rate swap expenses as well as a change in margin facilities during the quarter that decreased the all-in cost of leverage. Additional information on our leverage is disclosed below in Liquidity and Capital Resources and in our Notes to Financial Statements.

As indicated in Note 9 of our Notes to Financial Statements, at November 30, 2014, we had $26 million notional amount of interest rate swap contracts with Wells Fargo Bank in an attempt to reduce a portion of the interest rate risk arising from our leveraged capital structure. TPZ has agreed to pay Wells Fargo Bank a fixed rate while receiving a floating rate based upon the 3-month U.S. Dollar London Interbank Offered Rate (LIBOR). The spread between the fixed swap rate and LIBOR is reflected in our Statement of Operations as a realized or unrealized gain when LIBOR exceeds the fixed rate (Wells Fargo Bank pays TPZ the net difference) or a realized or unrealized loss when the fixed rate exceeds LIBOR (TPZ pays Wells Fargo Bank the net difference). The interest rate swap contracts have a weighted average fixed rate of 1.68 percent and weighted average remaining maturity of approximately 3.6 years. This swap arrangement effectively fixes the cost of approximately 61 percent of our outstanding leverage over the remaining swap period.

Distributable Cash Flow and Capital Gains

For 4th quarter 2014, our DCF was approximately $2.6 million, a decrease of 3.2 percent as compared to 4th quarter 2013 and an increase of 5.3 percent as compared to 3rd quarter 2014. This difference is the net result of the change in income from investments and expenses as outlined above. On August 8, 2014, we declared regular monthly distributions for the 2014 4th fiscal quarter of $0.125 per share. This is unchanged as compared to 3rd quarter 2014.

Net Investment Income on the Statement of Operations is adjusted as follows to reconcile to DCF for fiscal year 2014 and 4th quarter 2014 (in thousands):

	FY 2014	4th Qtr 2014
Net Investment Income	$ 5,607	$1,470
Adjustments to reconcile to DCF:		
Dividends paid in stock	2,296	497
Distributions characterized as return of capital	2,665	683
Interest rate swap expenses	(381)	(95)
Change in amortization methodology	241	62
DCF	$10,428	$2,617

Subsequent to our fiscal year-end, we paid a distribution of $8.7 million, or $1.25 per share, on December 31, 2014 to meet our required distributions of net investment company taxable income and net realized gains from investments.

Management s Discussion *(Unaudited)*
(Continued)

Liquidity and Capital Resources

We had total assets of $259.4 million at quarter-end. Our total assets reflect the value of our investments, which are itemized in the Schedule of Investments. It also reflects cash, interest and receivables and any expenses that may have been prepaid. During the 4th quarter 2014, total assets decreased by $6.8 million. This change was primarily the result of a $9.3 million decrease in the value of our investments as reflected by the change in net realized and unrealized gains on investments (excluding return of capital on distributions), net purchases of $2.9 million and a decrease in receivables of $0.2 million.

Our leverage consists of a 270-day rolling evergreen margin loan facility with a borrowing capacity of $65 million. Total leverage outstanding at November 30, 2014 was $42.4 million, an increase of $3.0 million as compared to August 31, 2014. Total leverage represented 16.3 percent of total assets at November 30, 2014, an increase from 14.8 percent of total assets at August 31, 2014 and an increase from 16.0 percent of total assets at November 30, 2013. Our leverage as a percent of total assets remains below our long-term target level of 20 percent of total assets. This allows the opportunity to add leverage when compelling investment opportunities arise. Temporary increases to up to 25 percent of our total assets may be permitted, provided that such leverage is consistent with the limits set forth in the 1940 Act, and that such leverage is expected to be reduced over time in an orderly fashion to reach our long-term target. Our leverage ratio is impacted by increases or decreases in investment values, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

We have used leverage to acquire investments consistent with our investment philosophy. The terms of our leverage are governed by regulatory and contractual asset coverage requirements that arise from the use of leverage. Additional information on our leverage and asset coverage requirements is discussed in Note 10 in the Notes to Financial Statements. Our coverage ratio is updated each week on our Web site at www.tortoiseadvisors.com.

Taxation of our Distributions

We expect that distributions paid on common shares will generally consist of: (i) investment company taxable income (ICTI) which includes ordinary income net of deductions plus any short-term capital gains in excess of net long-term capital losses (under current law, distributions of ICTI may be designated as qualified dividend income (QDI) to the extent of any QDI received from our investment in common stocks); (ii) long-term capital gain (net gain from the sale of a capital asset held longer than 12 months over net short-term capital losses) and (iii) return of capital. The QDI and long-term capital gain tax rates are variable based on the taxpayer s taxable income.

We have received exemptive relief from the SEC to distribute capital gains throughout the year and we may also distribute additional capital gains in the last calendar quarter if necessary to meet minimum distribution requirements and to avoid being subject to excise taxes. If, however, we elect to retain any capital gains, we will be subject to U.S. capital gains taxes. The payment of those taxes will flow-through to stockholders as a tax credit to apply against their U.S. income tax payable on the deemed distribution of the retained capital gain.

For tax purposes, regular and special cash distributions paid to common stockholders for the calendar year ended December 31, 2014 were approximately 4 percent QDI, 31 percent ordinary dividend income, and 65 percent long-term capital gain. This information is reported to stockholders on Form 1099-DIV and is available on our Web site at www.tortoiseadvisors.com.

Schedule of Investments

November 30, 2014

	Principal Amount	Fair Value
Corporate Bonds 62.8%(1)		
Crude/Refined Products Pipelines 4.9%(1)		
Canada 2.2%(1)		
Gibson Energy Inc., 6.750%, 07/15/2021(2)	$4,500,000	$ 4,736,250
United States 2.7%(1)		
SemGroup Corp., 7.500%, 06/15/2021	5,450,000	5,804,250
		10,540,500
Local Distribution Pipelines 6.9%(1)		
United States 6.9%(1)		
CenterPoint Energy, Inc., 6.500%, 05/01/2018(3)	4,000,000	4,605,708
NiSource Finance Corp., 6.400%, 03/15/2018(3)	3,500,000	4,010,758
Source Gas, LLC, 5.900%, 04/01/2017(2)(3)	5,770,000	6,227,971
		14,844,437
Natural Gas/Natural Gas Liquids Pipelines 19.4%(1)		
Canada 2.8%(1)		
TransCanada Pipelines Limited, 6.350%, 05/15/2067	6,000,000	5,970,000
United States 16.6%(1)		
EQT Corp., 6.500%, 04/01/2018	2,000,000	2,266,060
EQT Corp., 8.125%, 06/01/2019	2,000,000	2,447,628
Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020(2)(3)	1,500,000	1,692,613
Kinder Morgan Inc., 6.500%, 09/15/2020(3)	6,000,000	6,836,250
Midcontinent Express Pipeline LLC, 6.700%, 09/15/2019(2)	6,000,000	6,690,000
ONEOK, Inc., 4.250%, 02/01/2022	4,500,000	4,449,505
Ruby Pipeline, LLC, 6.000%, 04/01/2022(2)(3)	1,500,000	1,674,989
Southern Star Central Corp., 5.125%, 07/15/2022(2)	3,000,000	3,000,000
Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016(2)(3)	2,000,000	2,113,362
Williams Companies, Inc., 7.875%, 09/01/2021	4,000,000	4,799,624
		41,940,031
Natural Gas Gathering/Processing 3.0%(1)		
United States 3.0%(1)		
DCP Midstream LLC,		

9.750%, 03/15/2019[2][3]	5,000,000	6,390,395
Oil and Gas Exploration and Production 6.0%[1]		
United States 6.0%[1]		
California Resources Corp., 5.500%, 09/15/2021[2]	1,000,000	897,500
Carrizo Oil & Gas, Inc., 7.500%, 09/15/2020	2,000,000	2,030,000
Chesapeake Energy Corp., 7.250%, 12/15/2018	3,500,000	3,902,500
Concho Resources, Inc., 5.500%, 04/01/2023	2,000,000	1,970,000
Denbury Resources Inc., 6.375%, 08/15/2021	1,000,000	1,005,000
EP Energy / EP Finance Inc., 9.375%, 05/01/2020	3,000,000	3,277,500
		13,082,500
Oilfield Services 1.7%[1]		
United States 1.7%[1]		
Pride International, Inc., 8.500%, 06/15/2019	3,000,000	3,691,368
Power/Utility 20.9%[1]		
United States 20.9%[1]		
CMS Energy Corp., 8.750%, 06/15/2019	5,185,000	6,587,548
Dominion Resources, Inc., 5.750%, 10/01/2054	4,000,000	4,184,976
Duquesne Light Holdings, Inc., 6.400%, 09/15/2020[2]	3,000,000	3,533,940
Duquesne Light Holdings, Inc., 5.900%, 12/01/2021[2]	2,000,000	2,330,058
Integrys Energy Group, Inc., 6.110%, 12/01/2066[3]	3,750,000	3,808,875
IPALCO Enterprises, Inc., 7.250%, 04/01/2016[2]	4,000,000	4,250,000
NextEra Energy Capital Holdings, Inc., 6.650%, 06/15/2067	1,029,000	1,041,863
NRG Energy, Inc., 6.250%, 07/15/2022	6,000,000	6,165,000
NRG Yield Operating LLC, 5.375%, 08/15/2024[2]	2,500,000	2,537,500
NV Energy, Inc., 6.250%, 11/15/2020[3]	1,000,000	1,185,086
PPL Capital Funding, Inc., 6.700%, 03/30/2067[3]	6,000,000	6,075,000
Wisconsin Energy Corp., 6.250%, 05/15/2067	3,450,000	3,520,552
		45,220,398
Total Corporate Bonds (Cost $124,869,800)		135,709,629

See accompanying Notes to Financial Statements.

Schedule of Investments *(Continued)*
November 30, 2014

	Shares	Fair Value
Master Limited Partnerships and Related Companies 37.3%[1]		
Crude/Refined Products Pipelines 22.5%[1]		
United States 22.5%[1]		
Buckeye Partners, L.P.[3]	54,000	$ 4,150,980
Enbridge Energy Management, L.L.C.[3][4]	561,616	20,442,828
Genesis Energy, L.P.	11,800	519,554
Holly Energy Partners, L.P.	56,100	1,887,765
Magellan Midstream Partners, L.P.	59,790	4,955,993
NuStar Energy L.P.[3]	31,200	1,747,200
Oiltanking Partners, L.P.	18,800	907,476
Phillips 66 Partners LP	15,500	964,875
Plains All American Pipeline, L.P.	72,959	3,753,741
Shell Midstream Partners, L.P.	18,024	658,236
Sunoco Logistics Partners L.P.[3]	152,786	7,355,118
Tesoro Logistics LP	13,400	767,418
Valero Energy Partners LP	13,794	575,486
		48,686,670
Natural Gas/Natural Gas Liquids Pipelines 8.6%[1]		
United States 8.6%[1]		
Energy Transfer Equity, L.P.	33,384	1,982,676
Energy Transfer Partners, L.P.	101,200	6,595,204
Enterprise Products Partners L.P.	157,316	5,874,179
ONEOK Partners, L.P.	61,203	2,697,828
Regency Energy Partners, L.P.	47,552	1,354,757
		18,504,644
Natural Gas Gathering/Processing 6.2%[1]		
United States 6.2%[1]		
Antero Midstream Partners LP	22,434	621,197
DCP Midstream Partners, LP	71,827	3,441,232
EnLink Midstream Partners, L.P.	22,400	624,736
MarkWest Energy Partners, L.P.	56,700	4,029,102
Targa Resources Partners L.P.	86,500	4,742,795
		13,459,062
Total Master Limited Partnerships and Related Companies (Cost $29,610,944)		80,650,376
Common Stock 18.8%[1]		
Natural Gas/Natural Gas Liquids Pipelines 11.0%[1]		
Canada 0.6%[1]		
TransCanada Corp.	26,100	1,256,976
United States 10.4%[1]		
Kinder Morgan, Inc.[5]	340,823	14,093,018
ONEOK, Inc.	37,024	2,005,220
Spectra Energy Corp.	78,095	2,958,239
Williams Companies, Inc.	66,513	3,442,048
		23,755,501
Power/Utility 7.8%[1]		
United Kingdom 0.6%[1]		
Abengoa Yield plc	45,900	1,294,380
United States 7.2%[1]		
NextEra Energy Partners, LP	79,127	2,991,792

NRG Yield, Inc.	94,610	4,483,568
TerraForm Power, Inc.	117,822	3,905,799
TerraForm Power, Inc.(2)	130,000	4,054,700
		16,730,239
Total Common Stock (Cost $28,422,093)		40,485,740
Short-Term Investment 0.0%(1)		
United States Investment Company 0.0%(1)		
Fidelity Institutional Money Market Portfolio Class I, 0.05%(6) (Cost $46,310)	46,310	46,310
Total Investments 118.9%(1) (Cost $182,949,147)		256,892,055
Interest Rate Swap Contracts (0.2%)(1)		
$26,000,000 notional unrealized depreciation(7)		(355,713)
Other Assets and Liabilities (18.7%)(1)		(40,488,491)
Total Net Assets Applicable to Common Stockholders 100.0%(1)		$ 216,047,851

(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 $50,129,278, which represents 23.2% of net assets. See Note 7 to the financial statements for further disclosure.
(3) All or a portion of the security is segregated as collateral for the margin borrowing facility. See Note 10 to the financial statements for further disclosure.
(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 $355,713.
(6) Rate indicated is the current yield as of November 30, 2014.
(7) See Note 9 to the financial statements for further disclosure.

See accompanying Notes to Financial Statements.

Statement of Assets & Liabilities

November 30, 2014

Assets	
Investments at fair value (cost $182,949,147)	$256,892,055
Receivable for Adviser fee waiver	21,486
Interest and dividend receivable	2,399,918
Prepaid expenses and other assets	47,145
Total assets	259,360,604
Liabilities	
Payable to Adviser	408,236
Accrued directors fees and expenses	5,045
Accrued expenses and other liabilities	143,759
Unrealized depreciation of interest rate swap contracts	355,713
Credit facility borrowings	42,400,000
Total liabilities	43,312,753
Net assets applicable to common stockholders	$216,047,851
Net Assets Applicable to Common Stockholders Consist of:	
Capital stock, $0.001 par value; 6,951,333 shares issued and outstanding (100,000,000 shares authorized)	$ 6,951
Additional paid-in capital	129,482,470
Undistributed net investment income	3,918,990
Undistributed net realized gain	9,052,185
Net unrealized appreciation of investments and interest rate swap contracts	73,587,255
Net assets applicable to common stockholders	$216,047,851
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	$ 31.08

Statement of Operations

Year Ended November 30, 2014

Investment Income	
Distributions from master limited partnerships	$ 3,004,423
Dividends from common stock	336,982
Less return of capital on distributions	(2,665,923)
Net distributions and dividends from equity securities	675,482
Interest from corporate bonds	8,056,688
Dividends from money market mutual funds	100
Total Investment Income	8,732,270
Operating Expenses	
Advisory fees	2,344,590
Professional fees	146,549
Stockholder communication expenses	112,578
Administrator fees	101,591
Directors fees	61,913
Fund accounting fees	26,087
Registration fees	24,851
Stock transfer agent fees	16,666
Custodian fees and expenses	12,271
Other operating expenses	28,947
Total Operating Expenses	2,876,043
Leverage Expenses	
Interest expense	382,878
Total Expenses	3,258,921
Less fees waived by Adviser	(133,185)

Net Expenses	3,125,736
Net Investment Income	5,606,534
Realized and Unrealized Gain on Investments and Interest Rate Swaps	
Net realized gain on investments	14,147,303
Net realized loss on interest rate swap settlements	(380,278)
Net realized gain on investments and interest rate swaps	13,767,025
Net unrealized appreciation of investments	11,600,416
Net unrealized appreciation of interest rate swap contracts	16,952
Net unrealized appreciation of investments and interest rate swap contracts	11,617,368
Net Realized and Unrealized Gain on Investments and Interest Rate Swaps	25,384,393
Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations	$30,990,927

See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

Year Ended November 30

	2014	2013
Operations		
Net investment income	$ 5,606,534	$ 5,297,832
Net realized gain on investments and interest rate swaps	13,767,025	9,849,038
Net unrealized appreciation of investments and interest rate swap contracts	11,617,368	4,730,553
Net increase in net assets applicable to common stockholders resulting from operations	30,990,927	19,877,423
Distributions to Common Stockholders		
Net investment income	(6,289,617)	(3,457,532)
Net realized gain	(4,137,383)	(6,969,468)
Return of capital		
Total distributions to common stockholders	(10,427,000)	(10,427,000)
Total increase in net assets applicable to common stockholders	20,563,927	9,450,423
Net Assets		
Beginning of year	195,483,924	186,033,501
End of year	$216,047,851	$195,483,924
Undistributed net investment income, end of year	$ 3,918,990	$ 4,024,616

See accompanying Notes to Financial Statements.

Statement of Cash Flows

Year Ended November 30, 2014

Cash Flows From Operating Activities	
Distributions received from master limited partnerships	$ 3,004,423
Interest and dividend income received	8,756,897
Purchases of long-term investments	(48,492,383)
Proceeds from sales of long-term investments	45,359,140
Proceeds from sales of short-term investments, net	104,492
Payments on interest rate swaps, net	(380,278)
Interest received on securities sold, net	121,591
Interest expense paid	(379,393)
Operating expenses paid	(2,667,489)
Net cash provided by operating activities	5,427,000
Cash Flows From Financing Activities	
Advances from margin loan facilities	75,400,000
Repayments on margin loan facilities	(70,400,000)
Distributions paid to common stockholders	(10,427,000)
Net cash used in financing activities	(5,427,000)
Net change in cash	
Cash beginning of year	
Cash end of year	$
Reconciliation of net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities	
Net increase in net assets applicable to common stockholders resulting from operations	$ 30,990,927
Adjustments to reconcile net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities:	
Purchases of long-term investments	(48,411,605)
Proceeds from sales of long-term investments	45,277,540
Proceeds from sales of short-term investments, net	104,492
Return of capital on distributions received	2,665,923
Net unrealized appreciation of investments and interest rate swap contracts	(11,617,368)
Net realized gain on investments	(14,147,303)
Amortization of market premium, net	584,763
Changes in operating assets and liabilities:	
Increase in interest and dividend receivable	(100,045)
Increase in prepaid expenses and other assets	(176)
Decrease in receivable for investments sold	81,600
Decrease in payable for investments purchased	(80,778)
Increase in payable to Adviser, net of fees waived	58,952
Increase in accrued expenses and other liabilities	20,078
Total adjustments	(25,563,927)
Net cash provided by operating activities	$5,427,000

See accompanying Notes to Financial Statements.

Financial Highlights

Year Ended November 30

	2014	2013	2012	2011
Per Common Share Data(1)				
Net Asset Value, beginning of year	$ 28.12	$ 26.76	$ 25.37	$ 24.47
Income from Investment Operations				
Net investment income(2)	0.81	0.76	0.72	0.72
Net realized and unrealized gains on investments and interest rate swap contracts(2)	3.65	2.10	2.17	1.68
Total income from investment operations	4.46	2.86	2.89	2.40
Distributions to Common Stockholders				
Net investment income	(0.90)	(0.50)	(0.88)	(0.79
Net realized gain	(0.60)	(1.00)	(0.62)	(0.57
Return of capital				(0.14
Total distributions to common stockholders	(1.50)	(1.50)	(1.50)	(1.50
Net Asset Value, end of year	$31.08	$28.12	$26.76	$25.37
Per common share market value, end of year	$ 26.90	$ 24.74	$ 25.26	$ 24.18
Total Investment Return Based on Market Value(3)	14.94%	3.80%	10.83%	11.49
Total Investment Return Based on Net Asset Value(3)(4)	16.84%	11.36%	11.90%	10.24
Supplemental Data and Ratios				
Net assets applicable to common stockholders, end of year (000 s)	$216,048	$195,484	$186,034	$176,329
Average net assets (000 s)	$208,698	$193,670	$182,224	$173,458
Ratio of Expenses to Average Net Assets				
Advisory fees	1.12%	1.13%	1.13%	1.13
Other operating expenses	0.26	0.26	0.27	0.28
Total operating expenses, before fee waiver	1.38	1.39	1.40	1.41
Fee waiver	(0.07)	(0.12)	(0.12)	(0.18
Total operating expenses	1.31	1.27	1.28	1.23
Leverage expenses	0.19	0.25	0.44	0.42
Current foreign tax expense(5)				0.00
Total expenses	1.50 %	1.52 %	1.72 %	1.65

See accompanying Notes to Financial Statements.

Financial Highlights *(Continued)*

Year Ended November 30

	2014	2013	2012	2011	2010
Ratio of net investment income to average net assets before fee waiver	2.62%	2.62%	2.64%	2.70%	3.05%
Ratio of net investment income to average net assets after fee waiver	2.69%	2.74%	2.76%	2.88%	3.23%
Portfolio turnover rate	18.39%	12.21%	13.67%	8.78%	21.93%
Credit facility borrowings, end of year (000 s)	$42,400	$37,400	$16,400	$13,000	$12,700
Senior notes, end of year (000 s)			$20,000	$20,000	$20,000
Per common share amount of senior notes outstanding, end of year			$ 2.88	$ 2.88	$ 2.88
Per common share amount of net assets, excluding senior notes, end of year	$ 31.08	$ 28.12	$ 29.64	$ 28.25	$ 27.35
Asset coverage, per $1,000 of principal amount of senior notes and credit facility borrowings(6)	$ 6,095	$ 6,227	$ 6,111	$ 6,343	$ 6,195
Asset coverage ratio of senior notes and credit facility borrowings(6)	610%	623%	611%	634%	619%

(1) Information presented relates to a share of common stock outstanding for the entire year.

(2) The per common share data for the years ended November 30, 2013, 2012, 2011 and 2010 do not reflect the change in estimate of investment income and return of capital, for the respective year. See Note 2C to the financial statements for further disclosure.

(3) Total investment return is calculated assuming a purchase of common stock at the beginning of the year and a sale at the closing price on the last day of the year reported (excluding brokerage commissions). The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company s dividend reinvestment plan.

(4) Total investment return is calculated assuming a purchase of common stock at the beginning of year and a sale at net asset value on the last day of the year. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company s dividend reinvestment plan.

(5) The Company accrued $0, $0, $0, $4,530, and $1,660 for the years ended November 30, 2014, 2013, 2012, 2011 and 2010, respectively, for current foreign tax expense. Ratio is less than 0.01% for the years ended November 30, 2011 and 2010.

(6) Represents value of total assets less all liabilities and indebtedness not represented by senior notes and credit facility borrowings at the end of the year divided by senior notes and credit facility borrowings outstanding at the end of the year.

See accompanying Notes to Financial Statements.

Notes to Financial Statements

November 30, 2014

1. Organization

Tortoise Power and Energy Infrastructure Fund, Inc. (the Company) was organized as a Maryland corporation on July 5, 2007, and is a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Company s primary investment objective is to provide a high level of current income, with a secondary objective of capital appreciation. The Company seeks to provide its stockholders with a vehicle to invest in a portfolio consisting primarily of securities issued by power and energy infrastructure companies. The Company commenced operations on July 31, 2009. The Company s stock is listed on the New York Stock Exchange under the symbol TPZ.

2. Significant Accounting Policies

A. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, recognition of distribution income and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

B. Investment Valuation

The Company primarily owns securities that are listed on a securities exchange or over-the-counter market. The Company values those securities at their last sale price on that exchange or over-the-counter market on the valuation date. If the security is listed on more than one exchange, the Company uses the price from the exchange that it considers to be the principal exchange on which the security is traded. Securities listed on the NASDAQ will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If there has been no sale on such exchange or over-the-counter market on such day, the security will be valued at the mean between the last bid price and last ask price on such day.

The Company may invest up to 15 percent of its total assets in restricted securities that are ineligible for resale under Rule 144A under the Securities Act of 1933. Restricted securities are subject to statutory or contractual restrictions on their public resale, which may make it more difficult to obtain a valuation and may limit the Company s ability to dispose of them. Investments in private placement securities and other securities for which market quotations are not readily available will be valued in good faith by using fair value procedures approved by the Board of Directors. Such fair value procedures consider factors such as discounts to publicly traded issues, time until conversion date, securities with similar yields, quality, type of issue, coupon, duration and rating. If events occur that affect the value of the Company s portfolio securities before the net asset value has been calculated (a significant event), the portfolio securities so affected will generally be priced using fair value procedures.

An equity security of a publicly traded company acquired in a direct placement transaction may be subject to restrictions on resale that can affect the security s liquidity and fair value. Such securities that are convertible or otherwise will become freely tradable will be valued based on the market value of the freely tradable security less an applicable discount. Generally, the discount will initially be equal to the discount at which the Company purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be used to determine the discount.

The Company generally values debt securities at prices based on market quotations for such securities, except those securities purchased with 60 days or less to maturity are valued on the basis of amortized cost, which approximates market value.

The Company generally values its interest rate swap contracts using industry-accepted models which discount the estimated future cash flows based on 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.

C. Security Transactions and Investment Income

Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. Dividend income and distributions are recorded on the ex-dividend date. Distributions received from investments generally are comprised of ordinary income and return of capital. The Company allocates distributions between investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on information provided by each portfolio company and other industry sources. These estimates may subsequently be revised based on actual allocations received from the portfolio companies after their tax reporting periods are concluded, as the actual character of these distributions is not known until after the fiscal year end of the Company.

During the year ended November 30, 2014, the Company reallocated the amount of 2013 investment income and return of capital it recognized based on the 2013 tax reporting information received from the individual Master Limited Partnerships (MLPs). This reclassification amounted to an increase in net investment income of approximately $112,000 or $0.016 per share, a decrease in unrealized appreciation of investments of approximately $129,000 or $0.019 per share, and an increase in realized gains of approximately $17,000 or $0.003 per share for the year ended November 30, 2014.

D. Distributions to Stockholders

Distributions to common stockholders are recorded on the ex-dividend date. The Company intends to make monthly cash distributions of its investment company taxable income to common stockholders. In addition, on an annual basis, the Company may distribute additional capital gains in the last calendar quarter if necessary to meet minimum distribution requirements and thus avoid being subject to excise taxes. The amount of any distributions will be determined by the Board of Directors. The character of distributions to common stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. Distributions paid to stockholders in excess of investment company taxable income and net realized gains will be treated as return of capital to stockholders.

E. Federal Income Taxation

The Company qualifies as a regulated investment company (RIC) under the U.S. Internal Revenue Code of 1986, as amended (the Code). As a result, the Company generally will not be subject to U.S. federal income tax on income and gains that it distributes each taxable year to stockholders if it meets certain minimum distribution requirements. The Company is required to distribute substantially all of its income, in addition to other asset diversification requirements. The Company is subject to a

Notes to Financial Statements

(Continued)

4 percent non-deductible U.S. federal excise tax on certain undistributed income unless the Company makes sufficient distributions to satisfy the excise tax avoidance requirement. The Company invests in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company reports its allocable share of the MLP s taxable income in computing its own taxable income.

The Company recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained upon examination by the tax authorities based on the technical merits of the tax position. The Company s policy is to record interest and penalties on uncertain tax positions as part of tax expense. The Company has reviewed all open tax years and major jurisdictions and concluded that there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. Tax years subsequent to the year ending November 30, 2010 remain open to examination by federal and state tax authorities.

F. Offering and Debt Issuance Costs

Offering costs related to the issuance of common stock are charged to additional paid-in capital when the stock is issued. Debt issuance costs related to senior notes are capitalized and amortized over the period the debt is outstanding.

G. Derivative Financial Instruments

The Company uses derivative financial instruments (principally interest rate swap contracts) to manage interest rate risk. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not hold or issue derivative financial instruments for speculative purposes. All derivative financial instruments are recorded at fair value with changes in fair value during the reporting period, and amounts accrued under the agreements, included as unrealized gains or losses in the Statement of Operations. The fair value of derivative financial instruments in a loss position are offset against the fair value of derivative financial instruments in a gain position, with the net fair value appropriately reflected as an asset or liability within the accompanying Statement of Assets & Liabilities. Cash settlements under the terms of the interest rate swap agreements and termination of such agreements are recorded as realized gains or losses in the Statement of Operations.

H. Indemnifications

Under the Company s organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business, the Company may enter into contracts that provide general indemnification to other parties. The Company s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred, and may not occur. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. Concentration Risk

Under normal circumstances, the Company intends to invest at least 80 percent of total assets (including assets obtained through potential leverage) in securities of companies that derive more than 50 percent of their revenue from power or energy operations and no more than 25 percent of the total assets in equity securities of MLPs as of the date of purchase. The Company will invest a minimum of 60 percent of total assets in fixed income securities, which may include up to 25 percent of its assets in non-investment grade rated fixed income securities. In determining application of these policies, the term total assets includes assets obtained through leverage. Companies that primarily invest in a particular sector may experience greater volatility than companies investing in a broad range of industry sectors. The Company may, for defensive purposes, temporarily invest all or a significant portion of its assets in investment grade securities, short-term debt securities and cash or cash equivalents. To the extent the Company uses this strategy, it may not achieve its investment objective.

4. Agreements

The Company has entered into an Investment Advisory Agreement with Tortoise Capital Advisors, L.L.C. (the Adviser). Under the terms of the agreement, the Company pays the Adviser a fee equal to an annual rate of 0.95 percent of the Company s average monthly total assets (including any assets attributable to leverage) minus accrued liabilities (other than debt entered into for purposes of leverage and the aggregate liquidation preference of outstanding preferred stock, if any) (Managed Assets), in exchange for the investment advisory services provided. The Adviser waived an amount equal to 0.10 percent of average monthly Managed Assets for the period from January 1, 2013 through December 31, 2013, and has contractually agreed to a fee waiver of 0.05 percent of average monthly Managed Assets for the period from January 1, 2014 through December 31, 2014. The waived fees are not subject to recapture by the Adviser.

U.S. Bancorp Fund Services, LLC serves as the Company s administrator. The Company pays the administrator a monthly fee computed at an annual rate of 0.04 percent of the first $1,000,000,000 of the Company s Managed Assets, 0.03 percent on the next $1,000,000,000 of Managed Assets and 0.02 percent on the remaining balance of the Company s Managed Assets.

Computershare Trust Company, N.A. serves as the Company s transfer agent and registrar and Computershare Inc. serves as the Company s dividend paying agent and agent for the automatic dividend reinvestment plan.

U.S. Bank, N.A. serves as the Company s custodian. The Company pays the custodian a monthly fee computed at an annual rate of 0.004 percent of the average daily market value of the Company s portfolio assets, subject to a minimum annual fee of $4,800, plus portfolio transaction fees.

5. Income Taxes

It is the Company s intention to continue to qualify as a regulated investment company under Subchapter M of the Code and distribute all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements.

The amount and character of income and capital gain distributions to be paid, if any, are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These differences are primarily due to differences in the timing of recognition of gains or losses on investments. Permanent book and tax basis differences related to character differences of realized gains on MLP and swap investments resulted in the reclassification of $577,457 to undistributed net investment income and $(577,457) to undistributed net realized gain.

Notes to Financial Statements

(Continued)

The tax character of distributions paid to common stockholders for the years ending November 30, 2014 and November 30, 2013 was as follows:

	Year Ended November 30, 2014	Year Ended November 30, 2013
Ordinary income*	$ 6,745,919	$ 3,747,499
Long-term capital gain	3,681,081	6,679,501
Total distributions	$10,427,000	$10,427,000

**For Federal income tax purposes, distributions of short-term capital gains are treated as ordinary income distributions.*

As of November 30, 2014, the components of accumulated earnings on a tax basis were as follows:

Unrealized appreciation	$77,416,294
Undistributed long-term capital gain	9,165,389
Other temporary differences	(23,253)
Accumulated earnings	$86,558,430

As of November 30, 2014, the aggregate cost of securities for federal income tax purposes was $175,917,331. The aggregate gross unrealized appreciation for all securities in which there was an excess of fair value over tax cost was $82,617,769, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over fair value was $1,643,045 and the net unrealized appreciation was $80,974,724.

6. Fair Value of Financial Instruments

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 November 30, 2014. These assets are measured on a recurring basis.

Description	Fair Value at November 30, 2014	Level 1	Level 2	Level 3
Assets				
Debt Securities:				
Corporate Bonds(a)	$135,709,629	$	$ 135,709,629	$
Equity Securities:				
Common Stock(a)	40,485,740	36,431,040	4,054,700	
	80,650,376	80,650,376		

Master Limited Partnerships and Related Companies[(a)]				
Other:				
Short-Term Investment[(b)]	46,310	46,310		
Total Assets	$256,892,055	$ 117,127,726	$ 139,764,329	$
Liabilities				
Interest Rate Swap Contracts	$ 355,713	$	$ 355,713	$