

TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC

Form N-CSR

January 30, 2019

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)

**P. Bradley Adams**

**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, 2018**

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**Item 1. Report to Stockholders.**

**Annual Report** | November 30, 2018

## **2018 Annual Report**

Closed-End Funds

\*Fund name changed to Tortoise Midstream Energy Fund, Inc. (effective January 7, 2019)

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## Tortoise

### 2018 Annual Report to Stockholders

This combined report provides you with a comprehensive review of our funds that span the entire energy value chain.

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## TTP and TPZ distribution policies

Tortoise Pipeline & Energy Fund, Inc. ("TTP") and Tortoise Power and Energy Infrastructure Fund, Inc. ("TPZ") are relying on exemptive relief permitting them to make long-term capital gain distributions throughout the year. Each of TTP and 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 TTP and 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 TTP and TPZ during such year. In accordance with its Policy, TTP distributes a fixed amount per common share, currently \$0.4075, each quarter to its common shareholders and TPZ distributes a fixed amount per common share, currently \$0.125, each month to its common shareholders. These amounts are subject to change from time to time at the discretion of the Board. Although the level of distributions is independent of TTP's and TPZ's performance, TTP and TPZ expect such distributions to correlate with its performance over time. Each quarterly and monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions in light of TTP's and TPZ's performance for the entire calendar year and to enable TTP and 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 TTP, TPZ and their respective shareholders. For example, the Board might take such action if the Policy had the effect of shrinking TTP's or TPZ's assets to a level that was determined to be detrimental to TTP or TPZ shareholders. The suspension or termination of the Policy could have the effect of creating a trading discount (if TTP's or 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 TTP's or TPZ's investment performance from the amount of the distribution or from the terms of TTP's or TPZ's distribution policy. Each of TTP and 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 TTP or TPZ is paid back to you. A return of capital distribution does not necessarily reflect TTP's or 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 TTP's and TPZ's investment experience during the remainder of their fiscal year and may be subject to changes based on tax regulations. TTP and 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.

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## Closed-end fund comparison

| Name/Ticker                                                                           | Primary focus                                                   | Structure                    | Total assets (\$ millions) <sup>1</sup> | Portfolio mix by asset type <sup>2</sup> | Portfolio mix by structure <sup>2</sup> |
|---------------------------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------|-----------------------------------------|------------------------------------------|-----------------------------------------|
| Tortoise Energy Infrastructure Corp.                                                  |                                                                 |                              |                                         |                                          |                                         |
| NYSE: TYG<br>Inception: 2/2004<br>Tortoise MLP Fund, Inc.                             | Midstream MLPs                                                  | C-corp                       | \$1,885.2                               |                                          |                                         |
| NYSE: NTG<br>Inception: 7/2010<br>Tortoise Pipeline & Energy Fund, Inc.               | Natural gas infrastructure MLPs                                 | C-corp                       | \$1,326.4                               |                                          |                                         |
| NYSE: TTP<br>Inception: 10/2011<br>Tortoise Energy Independence Fund, Inc.            | North American pipeline companies                               | Regulated investment company | \$201.4                                 |                                          |                                         |
| NYSE: NDP<br>Inception: 7/2012<br>Tortoise Power and Energy Infrastructure Fund, Inc. | North American oil & gas producers                              | Regulated investment company | \$143.9                                 |                                          |                                         |
| NYSE: TPZ<br>Inception: 7/2009                                                        | Power & energy infrastructure companies (Fixed income & equity) | Regulated investment company | \$184.0                                 |                                          |                                         |

<sup>1</sup>As of 12/31/2018<sup>2</sup>As of 11/30/2018

(unaudited)

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## Tortoise

### 2018 Annual Report to closed-end fund stockholders

Dear stockholders,

The broader energy sector, as represented by the S&P Energy Select Sector® Index, retreated substantially during the last fiscal quarter ending Nov. 30, 2018, returning -10.6%, bringing the full fiscal year performance to -1.6%. Commodity prices were volatile with crude oil prices seeing both the peak and trough for the fiscal year in the last three months. Oversupply concerns including: continued U.S. production growth, increased production from the Organization of the Petroleum Exporting Countries (OPEC), specifically Saudi Arabia in anticipation of the Iranian sanctions, and uncertainty leading up to the OPEC meeting in Vienna on Dec. 5, all contributed to driving oil prices lower. The midstream segment pulled back along with broad energy, as well as from near-term uncertainty around simplification transactions and further evolution of the midstream segment. Closed-end funds focused on midstream energy were not immune to the pressure and the market responded driving market-based returns further into negative territory, resulting in discounted trading to net asset value for most funds.

## Upstream

Upstream oil and gas producers experienced a stark reversal in performance during the final quarter with the Tortoise North American Oil and Gas Producers Index<sup>SM</sup> returning -20.4%, bringing fiscal year-end performance to -10.4%. Crude oil prices, represented by West Texas Intermediate (WTI), ended the fiscal year at slightly more than \$50 per barrel after approaching \$80 per barrel in early Oct. Crude oil prices began the fiscal year on Dec. 1, 2017 at \$58.36 and steadily increased over the first three fiscal quarters. The last fiscal quarter brought volatility as oil prices fell from a fiscal year high of \$76.41 on Oct. 3 to a low of \$50.22 on Nov. 23, 2018 and ended the fiscal year at \$50.93.

U.S. crude oil production is expected to average 10.9 million barrels per day (MMbbl/d) in 2018 and to increase further to 12.1 MMbbl/d in 2019. This is significant growth from the 9.4 MMbbl/d produced in 2017.<sup>1</sup> The U.S. Energy Information Administration (EIA) forecasts a global liquid fuels production increase of 1.4 MMbbl/d in 2019. Production growth in the U.S. will be offset by declining OPEC production as per the agreed upon cut of 800,000 barrels per day (b/d) at the OPEC meeting in early December as well as the 400,000 b/d cut from other countries including Russia. On the other side of the equation, the EIA expects global liquid fuels consumption to grow by 1.5 MMbbl/d, largely driven by increases in China, U.S. and India.

Natural gas prices increased during the fourth fiscal quarter as inventories were low at the end of injection season followed by cold weather in parts of the country. Weather played a factor in natural gas prices throughout the fiscal year. They opened at \$2.84 per million British thermal units (MMBtu), quickly rose in January to peak at \$6.24 and fell to a fiscal year low of \$2.49 in February. The fiscal year ending Nov. 30, 2018 closed at a price of \$4.61. Natural gas production is expected to average 80.7 billion cubic feet per day (bcf/d) in 2018 and 87.3 bcf/d in 2019<sup>2</sup>. The U.S. continues to export significant amounts of natural gas by pipeline to Mexico and liquefied natural gas (LNG) to the rest of the world, which is benefiting natural gas producers.

## Midstream

Performance in the midstream sector declined along with broad energy as represented by the Tortoise North American Pipeline Index<sup>SM</sup> return of -6.8% and the Tortoise MLP Index<sup>®</sup> return of -9.4% for the fourth fiscal quarter eliminating all gains, resulting in essentially flat 2018 fiscal year performance for both indexes. Despite market turmoil, midstream companies showed their resilience with nearly 95% of midstream MLPs increasing or maintaining their third quarter distribution over the prior quarter.

As the midstream energy landscape continues to evolve, so does the MLP structure. We expect even higher coverage and lower leverage going forward. Many companies have shifted to self-funding the equity portion of their capex programs, reducing reliance on capital markets access. As a result, we expect dramatically less equity supply issuance in 2019 and beyond as companies focus on return of capital to shareholders in the form of strong yield, distribution growth and stock buybacks. Some companies are also selling non-core assets to arbitrage the valuation gap between private and public midstream assets.

We've deemed 2018 as the year of the transaction, with more than half of MLP companies participating in simplification transactions. These transactions have benefited the sector, leading to improved corporate governance and the removal of incentive distribution rights (IDRs). We expect this trend to continue and by the end of 2019 we anticipate more than 85% of MLPs will have eliminated IDRs.

With significant midstream investment needed to transport the record U.S. energy supply to areas of demand, including export facilities, several pipeline companies are planning to consolidate efforts to efficiently put capital to work. One example is a potential consolidation of two competing

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Permian Basin crude oil export lines. If combined, the project would be owned by six different midstream companies and would ease concerns of over investment in basin takeaway capacity. Our outlook for capital investments remains at approximately \$139 billion for 2018 to 2020 in MLPs, pipelines and related organic projects.

### Downstream

Cleaner energy solutions continue to change the energy landscape. The breakdown of electricity generation in the U.S. continues to evolve. The most notable transition is the continued displacement of coal by natural gas. Renewables are also expected to continue to gain market share, primarily through the use of solar energy as the average U.S. solar generation is expected to rise by more than 40% from 2017 to 2019.<sup>1</sup> We anticipate that utilities will continue to find opportunities to include renewable infrastructure into their rate base, the value of the property on which the utility is permitted to earn a rate of return. Petrochemical companies, another downstream end-user of energy, will likely take advantage of higher natural gas liquids (NGL) supplies, increasing their margins.

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### Regulatory updates

There were two noteworthy issues on the mid-term ballots in November. First, Colorado's Proposition 112 proposing a 2,500 foot drilling setback from occupied structures, was defeated. We believe that the Colorado energy industry and state legislature will likely work together towards a permanent resolution in the near future, removing any uncertainty regarding the issue. Second, in Nevada, voters approved Question 6, a ballot measure to increase the state's renewable portfolio standard (RPS) to 50% by 2030. The measure will require re-approval in 2020 in order to go into effect. The state hopes to spur investment and advance its leadership in renewable energy.

### Capital markets

Capital markets activity slowed further during the last fiscal quarter with MLPs and other pipeline companies raising approximately \$9.5 billion in total capital, with nearly all of the issuance in debt. This brings the total capital raised for the fiscal year to approximately \$43.5 billion, significantly lower than the previous fiscal year. Alternative options for capital and self-funding projects continue to trend higher and we expect the trend to continue in the future.

Merger and acquisition activity among MLPs and other pipeline companies picked up during the last fiscal quarter with more than \$44 billion in announced transactions, bringing the fiscal year's announced transactions to more than \$150 billion. There were two large transactions announced in the fourth fiscal quarter with Western Gas' simplification transaction and strategic deal between Western Gas Partners, LP, Western Gas Equity Partners, LP and Anadarko Petroleum Corporation, valued at approximately \$11.5 billion being the largest. EnLink Midstream, LLC also announced a simplification transaction to acquire EnLink Midstream Partners, LP in a deal valued at approximately \$10 billion.

### Concluding thoughts

As we set course in 2019, we see a positive energy backdrop with crude oil supply and demand in balance and natural gas inventories low. With oil prices above the \$40 per barrel break-even price in the U.S., we expect U.S. production growth for crude oil, natural gas and NGLs to meaningfully increase again and likely surpass the record 2018 production. Beyond strong fundamentals and compelling valuations, key catalysts unfolding in the midstream sector include: structure clarity as simplification transactions wind down, increased return of capital to shareholders and improved fund flows into the sector. Because of this favorable backdrop, we are excited about the sector's prospects in 2019.

Sincerely,

The Tortoise Energy Team

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The S&P Energy Select Sector<sup>®</sup> Index is a capitalization-weighted index of S&P 500<sup>®</sup> Index companies in the energy sector involved in the development or production of energy products. The Tortoise North American Oil and Gas Producers Index<sup>SM</sup> is a float-adjusted, capitalization-weighted index of North American energy companies engaged primarily in the production of crude oil, condensate, natural gas or natural gas liquids (NGLs). The Tortoise North American Pipeline Index<sup>SM</sup> is a float adjusted, capitalization-weighted index of energy pipeline companies domiciled in the United States and Canada. The Tortoise MLP Index<sup>®</sup> is a float-adjusted, capitalization-weighted index of energy master limited partnerships.

The Tortoise indices are the exclusive property of Tortoise Index Solutions, LLC, which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) to calculate and maintain the Tortoise MLP Index<sup>®</sup>, Tortoise North American Pipeline Index<sup>SM</sup> and Tortoise North American Oil and Gas Producers Index<sup>SM</sup> (the "Indices"). The Indices are not sponsored by S&P Dow Jones Indices or its affiliates or its third party licensors (collectively, "S&P Dow Jones Indices LLC"). S&P Dow Jones Indices will not be liable for any errors or omission in calculating the Indices. "Calculated by S&P Dow Jones Indices" and its related stylized mark(s) are service marks of S&P Dow Jones Indices and have been licensed for use by Tortoise Index Solutions, LLC and its affiliates. S&P<sup>®</sup> is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS"), and Dow Jones<sup>®</sup> is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones").

**It is not possible to invest directly in an index.**

**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, Short-Term Energy Outlook, December 2018

2 PIRA Natural Gas, December 2018

(unaudited)

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## Tortoise

### Energy Infrastructure Corp. (TYG)

#### Fund description

TYG seeks a high level of total return with an emphasis on current distributions paid to stockholders. TYG invests in midstream energy equities, primarily master limited partnerships (MLPs) and their affiliates that transport, gather, process or store natural gas, natural gas liquids (NGLs), crude oil and refined petroleum products.

#### Fund performance review

The midstream segment pulled back along with broad energy, as well as from near-term uncertainty around simplification transactions and further evolution of the midstream segment. We believe these transactions will benefit the sector with improved corporate governance and the removal of incentive distribution rights (IDRs). Average coverage ratios for the fund's portfolio companies has increased from 1.25x in 3Q2017 to 1.38x in 3Q2018 while average leverage decreased from 3.94x in 3Q2017 to 3.86x in 3Q2018. The fund has paid out more than \$33 per share in cumulative distributions to stockholders since its inception. In addition to the fund's primary allocation to midstream energy entities, the fund's small allocation to solar assets has aided in managing the fund's taxes through the addition of solar investment tax credits, while also gaining exposure to renewable energy, a critical and growing part of the energy value chain. The fund's market-based and NAV-based returns for the fiscal year ending Nov. 30, 2018 were -3.4% and 8.6%, respectively (including the reinvestment of distributions). Comparatively, the Tortoise MLP Index® was flat for the same period.

#### Fiscal year-end highlights

|                                                                                          |           |
|------------------------------------------------------------------------------------------|-----------|
| Distributions paid per share (fiscal year 2018)                                          | \$2.62    |
| Distributions paid per share (4th quarter 2018)                                          | \$0.6550  |
| Distribution rate (as of 11/30/2018)                                                     | 11.6%     |
| Quarter-over-quarter distribution increase                                               | 0.0%      |
| Year-over-year distribution increase                                                     | 0.0%      |
| Cumulative distributions paid per share to stockholders since inception in February 2004 | \$33.0825 |
| Market-based total return                                                                | (3.4)%    |
| NAV-based total return                                                                   | 8.6%      |
| Premium (discount) to NAV (as of 11/30/2018)                                             | (3.9)%    |

#### Key asset performance drivers

##### Top five contributors

Energy Transfer Partners, L.P.

Williams Partners L.P.  
Plains All American Pipeline, L.P.  
Enterprise Products Partners, L.P.

ONEOK, Inc

##### Company type

Midstream natural gas/natural gas liquids pipeline MLP

Midstream gathering and processing MLP

Midstream crude oil pipeline MLP  
Midstream natural gas/natural gas liquids pipeline MLP  
Midstream natural gas/natural gas liquids pipeline company

##### Performance driver

Acquired by its general partner for 11% premium in simplification transaction  
Simplification transaction closed in August and was well received by the market

Expected crude oil production growth from Permian Basin

Delivered steady cash flow and healthy project backlog  
Natural gas liquid (NGL) volume growth benefitting integrated pipeline network

##### Bottom five contributors

Buckeye Partners, L.P.

Energy Transfer LP  
EQM Midstream Partners, LP  
The Williams Companies, Inc.

##### Company type

Midstream refined product pipeline MLP  
Midstream natural gas/natural gas liquids pipeline company  
Midstream natural gas/natural gas liquids pipeline company  
Midstream gathering and processing C-Corp  
Midstream crude oil pipeline MLP

##### Performance driver

Weaker than expected earnings tied to storage market fundamentals  
Traded down due to ownership consolidation following closing of simplification transaction

Regulatory hurdles with Mountain Valley Pipeline build  
Acquisition of WPZ closed in August with WMB trading down following the closing of the transaction  
Strategic review with lower distribution viewed unfavorably by market

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Enbridge Energy Partners,  
L.P.

***Unlike the fund return, index return is pre-expenses and taxes.***

***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. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal year.***

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## Fund structure and distribution policy

The fund is structured as a corporation and is subject to federal and state income tax on its taxable income. The fund has adopted a distribution policy in which the Board of Directors considers many factors in determining distributions to stockholders. Over the long term, the fund expects to distribute substantially all of its Distributable cash flow ("DCF") to holders of common stock. The fund's Board of Directors reviews the distribution rate quarterly, and may adjust the quarterly distribution throughout the year. Although the level of distributions is independent of the funds' performance in the short term, the fund expects such distributions to correlate with its performance over time.

## Distributable cash flow and distributions

DCF is distributions received from investments less expenses. The total distributions received from investments include the amount received as cash distributions from investments, paid-in-kind distributions, and dividend and interest payments. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out-of-the-money options. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes. Current income taxes include taxes paid on net investment income, in addition to foreign taxes, if any. Taxes incurred from realized gains on the sale of investments, expected tax benefits and deferred taxes are not included in DCF.

Income from investments decreased approximately 3.2% as compared to 3rd quarter 2018 primarily due to the impact of trading and M&A activity within the fund's portfolio. Operating expenses, consisting primarily of fund advisory fees, decreased approximately 1.8% during the quarter due to lower asset-based fees. Overall leverage costs decreased approximately 0.7% as compared to 3rd quarter 2018 due to lower leverage utilization during the quarter. As a result of the changes in income and expenses, DCF decreased approximately 4.0% as compared to 3rd quarter 2018. The fund paid a quarterly distribution of \$0.655 per share, which was equal to the distribution paid in the prior quarter and 4th quarter 2017. The fund has paid cumulative distributions to stockholders of \$33.0825 per share since its inception in Feb. 2004.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between distributions received from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distribution income from MLPs and other investments on their ex-dates, whereas the DCF calculation may reflect distribution income on their pay dates; GAAP recognizes that a significant portion of the cash distributions received from MLPs and other investments are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; and distributions received from investments in the DCF calculation include the value of dividends paid-in-kind (additional stock or MLP units), whereas such amounts may not be included as income for GAAP purposes, and includes distributions related to direct investments when the purchase price is reduced in lieu of receiving cash distributions. Net premiums on options written (premiums received less amounts paid to buy back out-of-the-money options) with expiration dates during the fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses). Income for DCF purposes is reduced by amortizing the cost of certain investments that may not have a residual value after a known time period and by distributions received from investments deemed to be return of principal. 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, realized and unrealized gains (losses) on interest rate swap settlements, distributions to preferred stockholders, other recurring leverage expenses, as well as taxes paid on net investment income.

"Net Investment Income (Loss), before Income Taxes" on the Statement of Operations is adjusted as follows to reconcile to DCF for YTD and 4th quarter 2018 (in thousands):

|                                                     | YTD 2018     | 4th Qtr<br>2018 |
|-----------------------------------------------------|--------------|-----------------|
| Net Investment Loss,<br>before Income Taxes         | \$ (50,419 ) | \$ (8,817 )     |
| Adjustments to reconcile to DCF:                    |              |                 |
| Distributions characterized as<br>return of capital | 184,612      | 44,330          |
| Other                                               | (1,602 )     | (2,319 )        |
| DCF                                                 | \$ 132,591   | \$ 33,194       |

## Leverage

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The fund's leverage utilization decreased \$43.7 million during 4th quarter 2018 and represented 30.5% of total assets at November 30, 2018. The fund has maintained compliance with its applicable coverage ratios. At year-end, including the impact of interest rate swaps, approximately 77% of the leverage cost was fixed, the weighted-average maturity was 4.1 years and the weighted-average annual rate on leverage was 3.76%. These rates will vary in the future as a result of changing floating rates, utilization of the fund's credit facilities and as leverage and swaps mature or are redeemed. During the quarter, \$10.0 million Senior Notes with a fixed interest rate of 3.15% matured. The fund utilized its credit facilities to facilitate the maturity of the Senior Notes.

### Income taxes

During 4th quarter 2018, the fund's deferred tax liability decreased by \$65.7 million to \$189.6 million, primarily as a result of the decrease in value of its investment portfolio. The fund had net realized losses of \$45.2 million during the quarter. To the extent that the fund has taxable income, it will owe federal and state income taxes. Tax payments can be funded from investment earnings, fund assets, or borrowings.

Please see the Financial Statements and Notes to Financial Statements for additional detail regarding critical accounting policies, results of operations, leverage, taxes and other important fund information.

For further information regarding the calculation of distributable cash flow and distributions to stockholders, as well as a discussion of the tax impact on distributions and results and recent tax reform, please visit [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

(unaudited)

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**TYG 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 the fund believes is meaningful to understanding operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and the fund believes 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 the full financial statements.

|                                                                      | Year Ended November 30, |            | 2017              | 2018              |                   |                   |                   |   |  |  |  |  |  |
|----------------------------------------------------------------------|-------------------------|------------|-------------------|-------------------|-------------------|-------------------|-------------------|---|--|--|--|--|--|
|                                                                      | 2017                    | 2018       | Q4 <sup>(1)</sup> | Q1 <sup>(1)</sup> | Q2 <sup>(1)</sup> | Q3 <sup>(1)</sup> | Q4 <sup>(1)</sup> |   |  |  |  |  |  |
| <b>Total Income from Investments</b>                                 |                         |            |                   |                   |                   |                   |                   |   |  |  |  |  |  |
| Distributions and dividends from investments                         | \$ 180,342              | \$ 177,860 | \$ 44,323         | \$ 43,107         | \$ 44,308         | \$ 46,231         | \$ 44,214         |   |  |  |  |  |  |
| Dividends paid in kind                                               | —                       | 2,752      | —                 | 910               | 850               | 879               | 113               |   |  |  |  |  |  |
| Premiums on options written                                          | 920                     | 1,274      | 27                | 11                | —                 | 5                 | 1,258             |   |  |  |  |  |  |
| Total from investments                                               | 181,262                 | 181,886    | 44,350            | 44,028            | 45,158            | 47,115            | 45,585            |   |  |  |  |  |  |
| <b>Operating Expenses Before Leverage</b>                            |                         |            |                   |                   |                   |                   |                   |   |  |  |  |  |  |
| <b>Costs and Current Taxes</b>                                       |                         |            |                   |                   |                   |                   |                   |   |  |  |  |  |  |
| Advisory fees                                                        | 24,396                  | 21,466     | 5,533             | 5,487             | 5,091             | 5,496             | 5,392             |   |  |  |  |  |  |
| Other operating expenses                                             | 1,764                   | 1,741      | 443               | 430               | 431               | 442               | 438               |   |  |  |  |  |  |
|                                                                      | 26,160                  | 23,207     | 5,976             | 5,917             | 5,522             | 5,938             | 5,830             |   |  |  |  |  |  |
| Distributable cash flow before leverage costs and current taxes      | 155,102                 | 158,679    | 38,374            | 38,111            | 39,636            | 41,177            | 39,755            |   |  |  |  |  |  |
| Leverage costs <sup>(2)</sup>                                        | 25,332                  | 26,088     | 6,365             | 6,389             | 6,532             | 6,606             | 6,561             |   |  |  |  |  |  |
| Current income tax expense <sup>(3)</sup>                            | —                       | —          | —                 | —                 | —                 | —                 | —                 |   |  |  |  |  |  |
| <b>Distributable Cash Flow<sup>(4)</sup></b>                         | \$ 129,770              | \$ 132,591 | \$ 32,009         | \$ 31,722         | \$ 33,104         | \$ 34,571         | \$ 33,194         |   |  |  |  |  |  |
| <b>Net realized gain (loss), net of income taxes, for the period</b> | \$ 119,288              | \$ 42,565  | \$ 4,981          | \$ 7,427          | \$ 25,214         | \$ 55,082         | \$ (45,158 )      |   |  |  |  |  |  |
| <b>As a percent of average total assets<sup>(5)</sup></b>            |                         |            |                   |                   |                   |                   |                   |   |  |  |  |  |  |
| Total from investments                                               | 6.95                    | % 7.75     | % 7.53            | % 7.78            | % 8.11            | % 7.83            | % 7.91            | % |  |  |  |  |  |
| Operating expenses before leverage costs and current taxes           | 1.01                    | % 1.01     | % 1.01            | % 1.04            | % 0.99            | % 0.99            | % 1.01            | % |  |  |  |  |  |
| Distributable cash flow before leverage costs and current taxes      | 5.94                    | % 6.74     | % 6.52            | % 6.74            | % 7.12            | % 6.84            | % 6.90            | % |  |  |  |  |  |
| <b>As a percent of average net assets<sup>(5)</sup></b>              |                         |            |                   |                   |                   |                   |                   |   |  |  |  |  |  |

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|                                    |       |   |       |   |       |   |       |   |       |   |       |   |       |   |
|------------------------------------|-------|---|-------|---|-------|---|-------|---|-------|---|-------|---|-------|---|
| Total from investments             | 12.82 | % | 12.81 | % | 14.12 | % | 12.90 | % | 13.80 | % | 12.84 | % | 12.90 | % |
| Operating expenses before leverage |       |   |       |   |       |   |       |   |       |   |       |   |       |   |
| costs and current taxes            | 1.86  | % | 1.67  | % | 1.90  | % | 1.73  | % | 1.69  | % | 1.62  | % | 1.65  | % |
| Leverage costs and current taxes   | 1.80  | % | 1.88  | % | 2.03  | % | 1.87  | % | 2.00  | % | 1.80  | % | 1.86  | % |
| Distributable cash flow            | 9.16  | % | 9.26  | % | 10.19 | % | 9.30  | % | 10.11 | % | 9.42  | % | 9.39  | % |

## Selected Financial Information

|                                                      |            |   |            |   |            |   |            |   |            |   |            |   |            |   |
|------------------------------------------------------|------------|---|------------|---|------------|---|------------|---|------------|---|------------|---|------------|---|
| Distributions paid on common stock                   | \$ 128,749 |   | \$ 138,298 |   | \$ 32,299  |   | \$ 33,604  |   | \$ 34,474  |   | \$ 35,089  |   | \$ 35,131  |   |
| Distributions paid on common stock per share         | 2.6200     |   | 2.6200     |   | 0.6550     |   | 0.6550     |   | 0.6550     |   | 0.6550     |   | 0.6550     |   |
| Total assets, end of period <sup>(6)</sup>           | 2,235,315  |   | 2,136,339  |   | 2,235,315  |   | 2,212,708  |   | 2,328,573  |   | 2,461,343  |   | 2,136,339  |   |
| Average total assets during period <sup>(6)(7)</sup> | 2,595,980  |   | 2,293,998  |   | 2,363,776  |   | 2,296,522  |   | 2,208,894  |   | 2,387,915  |   | 2,311,256  |   |
| Leverage <sup>(8)</sup>                              | 690,200    |   | 652,100    |   | 690,200    |   | 667,300    |   | 686,800    |   | 695,800    |   | 652,100    |   |
| Leverage as a percent of total assets                | 30.9       | % | 30.5       | % | 30.9       | % | 30.2       | % | 29.5       | % | 28.3       | % | 30.5       | % |
| Net unrealized depreciation, end of period           | (418,421 ) |   | (338,892 ) |   | (418,421 ) |   | (311,939 ) |   | (239,363 ) |   | (170,043 ) |   | (338,892 ) |   |
| Net assets, end of period                            | 1,181,528  |   | 1,260,300  |   | 1,181,528  |   | 1,315,850  |   | 1,396,104  |   | 1,499,967  |   | 1,260,300  |   |
| Average net assets during period <sup>(9)</sup>      | 1,406,724  |   | 1,388,683  |   | 1,259,521  |   | 1,383,798  |   | 1,298,263  |   | 1,455,299  |   | 1,417,581  |   |
| Net asset value per common share                     | 23.93      |   | 23.50      |   | 23.93      |   | 25.59      |   | 26.49      |   | 27.97      |   | 23.50      |   |
| Market value per share                               | 25.86      |   | 22.59      |   | 25.86      |   | 27.70      |   | 28.67      |   | 28.12      |   | 22.59      |   |
| Shares outstanding (000's)                           | 49,379     |   | 53,635     |   | 49,379     |   | 51,416     |   | 52,698     |   | 53,635     |   | 53,635     |   |

(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, distributions to preferred stockholders, interest rate swap expenses and other recurring leverage expenses.

(3) Includes taxes paid on net investment income and foreign taxes, if any. Taxes related to realized gains are excluded from the calculation of Distributable Cash Flow ("DCF").

"Net investment income (loss), before income taxes" on the Statement of Operations is adjusted as follows to reconcile to DCF: increased by the return of capital on distributions, the dividends paid in stock and increased liquidation value, the premium on dividends paid in kind, the net premiums on options written and amortization of debt issuance costs; and decreased by realized and unrealized gains (losses) on interest rate swap settlements, distributions received that are excluded for DCF purposes and amortization on certain investments.

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

(5) Includes deferred issuance and offering costs on senior notes and preferred stock.

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

(7) Leverage consists of senior notes, preferred stock and outstanding borrowings under credit facilities.

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

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## Tortoise

### MLP Fund, Inc. (NTG)

#### Fund description

NTG seeks to provide stockholders with a high level of total return with an emphasis on current distributions. NTG invests primarily in midstream energy equities that own and operate a network of pipeline and energy-related logistical infrastructure assets with an emphasis on those that transport, gather, process and store natural gas and natural gas liquids (NGLs). NTG targets midstream energy equities, including MLPs benefiting from U.S. natural gas production and consumption expansion, with minimal direct commodity exposure.

#### Fund performance review

The midstream segment pulled back along with broad energy, as well as from near-term uncertainty around simplification transactions and further evolution of the midstream segment. We believe these transactions will benefit the sector, with improved corporate governance and the removal of incentive distribution rights (IDRs). Average coverage ratios for the fund's portfolio companies has increased from 1.25x in 3Q2017 to 1.37x in 3Q2018 while average leverage decreased from 3.96x in 3Q2017 to 3.91x in 3Q2018. The fund's market-based and NAV-based returns for the fiscal year ending Nov. 30, 2018 were -4.1% and 0.8%, respectively (including the reinvestment of distributions). Comparatively, the Tortoise MLP Index<sup>®</sup> was flat for the same period.

#### Fiscal year-end highlights

|                                                                                      |           |
|--------------------------------------------------------------------------------------|-----------|
| Distributions paid per share (fiscal year 2018)                                      | \$1.69    |
| Distributions paid per share (4th quarter 2018)                                      | \$0.4225  |
| Distribution rate (as of 11/30/2018)                                                 | 12.3%     |
| Quarter-over-quarter distribution increase                                           | 0.0%      |
| Year-over-year distribution increase                                                 | 0.0%      |
| Cumulative distributions paid per share to stockholders since inception in July 2010 | \$13.7700 |
| Market-based total return                                                            | (4.1)%    |
| NAV-based total return                                                               | 0.8%      |
| Premium (discount) to NAV (as of 11/30/2018)                                         | (5.2)%    |

**Unlike the fund return, index return is pre-expenses and taxes.**

**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. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal year.**

#### Key asset performance drivers

| Top five contributors              | Company type                                               | Performance driver                                                              |
|------------------------------------|------------------------------------------------------------|---------------------------------------------------------------------------------|
| Energy Transfer Partners, L.P.     | Midstream natural gas/natural gas liquids pipeline MLP     | Acquired by its general partner for 11% premium in simplification transaction   |
| Williams Partners L.P.             | Midstream gathering and processing MLP                     | Simplification transaction closed in August and was well received by the market |
| Plains All American Pipeline, L.P. | Midstream crude oil pipeline MLP                           | Expected crude oil production growth from Permian Basin                         |
| Enterprise Products Partners L.P.  | Midstream natural gas/natural gas liquids pipeline MLP     | Delivered steady cash flow and healthy project backlog                          |
| ONEOK, Inc.                        | Midstream natural gas/natural gas liquids pipeline company | Natural gas liquid (NGL) volume growth benefitting integrated pipeline network  |
| Bottom five contributors           | Company type                                               | Performance driver                                                              |

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|                                       |                                                            |                                                                                                                             |
|---------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| EQM Midstream Partners, LP            | Midstream natural gas/natural gas liquids pipeline company | Regulatory hurdles with Mountain Valley Pipeline build<br>Weaker than expected earnings tied to storage market fundamentals |
| Buckeye Partners, L.P                 | Midstream refined product pipeline MLP                     | Traded down due to ownership consolidation following closing of simplification transaction                                  |
| Energy Transfer LP                    | Midstream natural gas/natural gas liquids pipeline company | Acquisition of WPZ closed in August with WMB trading down following the closing of the transaction                          |
| The Williams Companies, Inc.          | Midstream gathering and processing C-Corp                  |                                                                                                                             |
| Dominion Energy Midstream Partners LP | Midstream natural gas/natural gas liquids pipeline MLP     | Parent company activity and equity offering                                                                                 |

(unaudited)

**Tortoise**

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## Tortoise

### MLP Fund, Inc. (NTG) (continued)

#### Fund structure and distribution policy

The fund is structured as a corporation and is subject to federal and state income tax on its taxable income. The fund has adopted a distribution policy in which the Board of Directors considers many factors in determining distributions to stockholders. Over the long term, the fund expects to distribute substantially all of its Distributable cash flow ("DCF") to holders of common stock. The fund's Board of Directors reviews the distribution rate quarterly, and may adjust the quarterly distribution throughout the year. Although the level of distributions is independent of the funds' performance in the short term, the fund expects such distributions to correlate with its performance over time.

#### Distributable cash flow and distributions

DCF is distributions received from investments less expenses. The total distributions received from investments include the amount received as cash distributions from MLPs, paid-in-kind distributions, and dividend and interest payments. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out-of-the-money options. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes. Current income taxes include taxes paid on net investment income in addition to foreign taxes, if any. Taxes incurred from realized gains on the sale of investments, expected tax benefits and deferred taxes are not included in DCF.

Income from investments increased approximately 3.6% as compared to 3rd quarter 2018 due primarily to increased premiums received on written covered call options. Operating expenses, consisting primarily of fund advisory fees, increased approximately 1.0% during the quarter due to higher asset-based fees. Leverage costs increased approximately 12.2% as compared to 3rd quarter 2018 due to increased leverage utilization as well as higher interest rates during the quarter. As a result of the changes in income and expenses, DCF increased approximately 2.4% as compared to 3rd quarter 2018. The fund paid a quarterly distribution of \$0.4225 per share, which was equal to the distribution paid in the prior quarter and 4th quarter 2017. The fund has paid cumulative distributions to stockholders of \$13.77 per share since its inception in July 2010.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between distributions received from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distribution income from MLPs, common stock and other investments on their ex-dates, whereas the DCF calculation may reflect distribution income on their pay dates; GAAP recognizes that a significant portion of the cash distributions received from MLPs, common stock and other investments are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; and distributions received from investments in the DCF calculation include the value of dividends paid-in-kind (additional stock or MLP units), whereas such amounts may not be included as income for GAAP purposes, and includes distributions related to direct investments when the purchase price is reduced in lieu of receiving cash distributions. Net premiums on options written (premiums received less amounts paid to buy back out-of-the-money options) with expiration dates during the fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses). 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, distributions to preferred stockholders, other recurring leverage expenses, as well as taxes paid on net investment income.

"Net Investment Income (Loss), before Income Taxes" on the Statement of Operations is adjusted as follows to reconcile to DCF for YTD and 4th quarter 2018 (in thousands):

|                                                     | YTD 2018    | 4th Qtr<br>2018 |
|-----------------------------------------------------|-------------|-----------------|
| Net Investment Loss,<br>before Income Taxes         | \$ (28,708) | \$ (5,540)      |
| Adjustments to reconcile to DCF:                    |             |                 |
| Distributions characterized as<br>return of capital | 113,947     | 28,991          |
| Net premiums on options written                     | 1,254       | 1,254           |
| Other                                               | (1,106 )    | 126             |
| DCF                                                 | \$87,599    | \$24,831        |

#### Leverage

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The fund's leverage utilization increased by \$60.1 million during 4th quarter 2018 and represented 34.3% of total assets at November 30, 2018. The fund has maintained compliance with its applicable coverage ratios. At year-end, approximately 75% of the leverage cost was fixed, the weighted-average maturity was 3.7 years and the weighted-average annual rate on leverage was 3.88%. These rates will vary in the future as a result of changing floating rates, utilization of the fund's credit facility and as leverage matures or is redeemed.

### Income taxes

During 4th quarter 2018, the fund's deferred tax liability decreased by \$42.4 million to \$68.2 million, primarily as a result of the decrease in value of its investment portfolio. The fund had net realized losses of \$4.2 million during the quarter. As of November 30, 2018, the fund had net operating losses of \$55 million for federal income tax purposes. To the extent that the fund has taxable income in the future that is not offset by net operating losses, it will owe federal and state income taxes. Tax payments can be funded from investment earnings, fund assets, or borrowings.

Please see the Financial Statements and Notes to Financial Statements for additional detail regarding critical accounting policies, results of operations, leverage, taxes and other important fund information.

For further information regarding the calculation of distributable cash flow and distributions to stockholders, as well as a discussion of the tax impact on distributions and results and recent tax reform, please visit [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

(unaudited)

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**NTG 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 the fund believes is meaningful to understanding operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and the fund believes 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 the full financial statements.

|                                                                      | Year Ended November 30, |            | 2017              | 2018              |                   |                   |                   |
|----------------------------------------------------------------------|-------------------------|------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                      | 2017                    | 2018       | Q4 <sup>(1)</sup> | Q1 <sup>(1)</sup> | Q2 <sup>(1)</sup> | Q3 <sup>(1)</sup> | Q4 <sup>(1)</sup> |
| <b>Total Income from Investments</b>                                 |                         |            |                   |                   |                   |                   |                   |
| Distributions and dividends from investments                         | \$ 108,230              | \$ 115,952 | \$ 26,506         | \$ 26,429         | \$ 26,236         | \$ 31,413         | \$ 31,800         |
| Dividends paid in kind                                               | —                       | 1,879      | —                 | 546               | 621               | 644               | 68                |
| Premiums on options written                                          | 571                     | 1,254      | 32                | —                 | —                 | —                 | 1,254             |
| Total from investments                                               | 108,801                 | 119,085    | 26,538            | 26,975            | 26,857            | 32,057            | 33,196            |
| <b>Operating Expenses Before Leverage</b>                            |                         |            |                   |                   |                   |                   |                   |
| <b>Costs and Current Taxes</b>                                       |                         |            |                   |                   |                   |                   |                   |
| Advisory fees, net of fees waived                                    | 14,349                  | 12,863     | 3,279             | 3,294             | 3,054             | 3,251             | 3,264             |
| Other operating expenses                                             | 1,292                   | 1,319      | 312               | 316               | 321               | 330               | 352               |
|                                                                      | 15,641                  | 14,182     | 3,591             | 3,610             | 3,375             | 3,581             | 3,616             |
| Distributable cash flow before leverage costs and current taxes      | 93,160                  | 104,903    | 22,947            | 23,365            | 23,482            | 28,476            | 29,520            |
| Leverage costs <sup>(2)</sup>                                        | 16,468                  | 17,304     | 4,147             | 4,127             | 4,197             | 4,231             | 4,749             |
| Current income tax expense <sup>(3)</sup>                            | —                       | —          | —                 | —                 | —                 | —                 | —                 |
| <b>Distributable Cash Flow<sup>(4)</sup></b>                         | \$ 76,692               | \$ 87,599  | \$ 18,800         | \$ 19,238         | \$ 19,285         | \$ 24,245         | \$ 24,831         |
| <b>Net realized gain (loss), net of income taxes, for the period</b> | \$ 29,189               | \$ 46,530  | \$ (1,122)        | \$ (575)          | \$ 9,963          | \$ 41,385         | \$ (4,200)        |
| <b>As a percent of average total assets<sup>(5)</sup></b>            |                         |            |                   |                   |                   |                   |                   |
| Total from investments                                               | 7.14 %                  | 8.11 %     | 7.69 %            | 8.01 %            | 8.29 %            | 8.60 %            | 8.60 %            |
| Operating expenses before leverage costs and current taxes           | 1.03 %                  | 0.99 %     | 1.04 %            | 1.07 %            | 1.04 %            | 0.96 %            | 0.91 %            |
| Distributable cash flow before leverage costs and current taxes      | 6.11 %                  | 7.12 %     | 6.65 %            | 6.94 %            | 7.25 %            | 7.64 %            | 7.69 %            |
| <b>As a percent of average net assets<sup>(5)</sup></b>              |                         |            |                   |                   |                   |                   |                   |
| Total from investments                                               | 12.13 %                 | 13.07 %    | 13.27 %           | 12.85 %           | 13.99 %           | 13.86 %           | 13.86 %           |
| Operating expenses before leverage costs and current taxes           | 1.75 %                  | 1.60 %     | 1.80 %            | 1.72 %            | 1.76 %            | 1.55 %            | 1.42 %            |
| Leverage costs and current taxes                                     | 1.85 %                  | 1.95 %     | 2.07 %            | 1.97 %            | 2.19 %            | 1.83 %            | 1.87 %            |
| Distributable cash flow                                              | 8.53 %                  | 9.52 %     | 9.40 %            | 9.16 %            | 10.04 %           | 10.48 %           | 9.79 %            |
| <b>Selected Financial Information</b>                                |                         |            |                   |                   |                   |                   |                   |
| Distributions paid on common stock                                   | \$ 79,670               | \$ 86,693  | \$ 19,962         | \$ 19,962         | \$ 19,997         | \$ 20,029         | \$ 26,700         |
| Distributions paid on common stock per share                         | 1.69000                 | 1.6900     | 0.4225            | 0.4225            | 0.4225            | 0.4225            | 0.4225            |
| Total assets, end of period <sup>(6)</sup>                           | 1,327,977               | 1,506,745  | 1,327,977         | 1,298,112         | 1,338,664         | 1,651,973         | 1,506,745         |
| Average total assets during period <sup>(6)(7)</sup>                 | 1,515,484               | 1,429,518  | 1,384,718         | 1,365,793         | 1,284,852         | 1,479,365         | 1,588,100         |
| Leverage <sup>(8)</sup>                                              | 443,800                 | 517,100    | 443,800           | 440,400           | 443,100           | 457,000           | 517,100           |
| Leverage as a percent of total assets                                | 33.4 %                  | 34.3 %     | 33.4 %            | 33.9 %            | 33.1 %            | 27.7 %            | 34.3 %            |
| Net unrealized appreciation, end of period                           | 24,370                  | 23,424     | 24,370            | 70,322            | 114,138           | 150,762           | 23,424            |
| Net assets, end of period                                            | 754,085                 | 915,033    | 754,085           | 776,371           | 802,440           | 1,077,585         | 915,033           |
| Average net assets during period <sup>(9)</sup>                      | 892,196                 | 887,014    | 802,165           | 851,387           | 761,577           | 917,409           | 1,018,300         |
| Net asset value per common share                                     | 15.96                   | 14.48      | 15.96             | 16.40             | 16.93             | 17.05             | 14.48             |
| Market value per common share                                        | 15.90                   | 13.72      | 15.90             | 17.54             | 18.40             | 16.27             | 13.72             |
| Shares outstanding (000's)                                           | 47,247                  | 63,208     | 47,247            | 47,330            | 47,406            | 63,208            | 63,208            |

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

(1) the period from September through November.

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- (2) Leverage costs include interest expense, distributions to preferred stockholders and other recurring leverage expenses.  
Includes taxes paid on net investment income and foreign taxes, if any. Taxes related to realized gains are excluded from the calculation of
- (3) Distributable Cash Flow ("DCF").  
"Net investment income (loss), before income taxes" on the Statement of Operations is adjusted as follows to reconcile to DCF: increased by the return of capital on distributions, the dividends paid in stock and increased liquidation value, the premium on dividends paid in kind and
- (4) amortization of debt issuance costs.
- (5) Annualized for periods less than one full year.
- (6) Includes deferred issuance and offering costs on senior notes and preferred stock.
- (7) Computed by averaging month-end values within each period.
- (8) Leverage consists of senior notes, preferred stock and outstanding borrowings under the credit facility.
- (9) Computed by averaging daily net assets within each period.

**Tortoise**

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## Tortoise

### Pipeline & Energy Fund, Inc. (TTP)

#### Fund description

TTP seeks a high level of total return with an emphasis on current distributions paid to stockholders. TTP invests primarily in equity securities of North American pipeline companies that transport natural gas, natural gas liquids (NGLs), crude oil and refined products and, to a lesser extent, in other energy infrastructure companies.

#### Fund performance review

The midstream segment pulled back along with broad energy, as well as from near-term uncertainty around simplification transactions and further evolution of the midstream segment. The fund's market-based and NAV-based returns for the fiscal year ending Nov. 30, 2018 were -7.0% and -4.5%, respectively (including the reinvestment of distributions). Comparatively, the Tortoise North American Pipeline Index<sup>SM</sup> returned 0.7% for the same period.

#### Fiscal year-end highlights

|                                                                                         |           |
|-----------------------------------------------------------------------------------------|-----------|
| Distributions paid per share (fiscal year 2018)                                         | \$1.63    |
| Distributions paid per share (4th quarter 2018)                                         | \$0.4075  |
| Distribution rate (as of 11/30/2018)                                                    | 11.4%     |
| Quarter-over-quarter distribution increase                                              | 0.0%      |
| Year-over-year distribution increase                                                    | 0.0%      |
| Cumulative distributions paid per share to stockholders since inception in October 2011 | \$11.7275 |
| Market-based total return                                                               | (7.0)%    |
| NAV-based total return                                                                  | (4.5)%    |
| Premium (discount) to NAV (as of 11/30/2018)                                            | (12.0)%   |

**Please refer to the inside front cover of the report for important information about the fund's distribution policy.**

The fund's covered call strategy, which focuses on independent energy companies that are key pipeline transporters, enabled the fund to generate current income. The notional amount of the fund's covered calls averaged approximately 7.5% of total assets, and their out-of-the-money percentage at the time written averaged approximately 5.4% during the fiscal quarter.

#### Key asset performance drivers

|                                |                                                            |                                                                                |
|--------------------------------|------------------------------------------------------------|--------------------------------------------------------------------------------|
| ONEOK, Inc.                    | Midstream natural gas/natural gas liquids pipeline company | Natural gas liquid (NGL) volume growth benefitting integrated pipeline network |
| Energy Transfer Partners, L.P. | Midstream natural gas/natural gas liquids pipeline MLP     | Acquired by its general partner for 11% premium in simplification transaction  |
| Plains GP Holdings, L.P.       | Midstream crude oil pipeline company                       | Expected crude oil production growth from Permian Basin                        |
| Targa Resources Corp.          | Midstream gathering and processing company                 | Permian Basin wet gas volume growth                                            |
| Tallgrass Energy LP            | Midstream natural gas/natural gas liquids pipeline company | Completion of simplification transaction                                       |
| Enlink Midstream, LLC          | Midstream gathering and processing company                 | Increased uncertainty following strategic transaction with GIP                 |
| SemGroup Corporation           | Midstream crude oil pipeline company                       | Concerns regarding high relative leverage                                      |
| TransCanada Corporation        | Midstream natural gas/natural gas liquids pipeline company | Higher leverage causing need for asset divestitures to fund capital projects   |
| Inter Pipeline Ltd.            | Midstream crude oil pipeline company                       | Concerns about ability to execute propane dehydrogenation (PDH) project        |

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Energy Transfer LP      Midstream natural gas/natural gas liquids  
pipeline company

Traded down due to ownership consolidation following closing of  
simplification transaction

**Unlike the fund return, index return is pre-expenses.**

***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. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal year.***

(unaudited)

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Tortoise

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## Fund structure and distribution policy

The fund is structured to qualify as a Regulated Investment Company ("RIC") allowing the fund to pass-through to shareholders the income and capital gains earned by the fund, thus avoiding double-taxation. To qualify as a RIC, the fund must meet specific income, diversification and distribution requirements. Regarding income, at least 90 percent of the fund's gross income must be from dividends, interest and capital gains. The fund must meet quarterly diversification requirements including the requirement that at least 50 percent of the assets be in cash, cash equivalents or other securities with each single issuer of other securities not greater than 5 percent of total assets. No more than 25 percent of total assets can be invested in any one issuer other than government securities or other RIC's. The fund must also distribute at least 90 percent of its investment company income. RIC's are also subject to excise tax rules which require RIC's to distribute approximately 98 percent of net income and net capital gains to avoid a 4 percent excise tax.

The fund has adopted a distribution policy which is included on the inside front cover of this report. To summarize, the fund intends to distribute an amount closely approximating the total taxable income for the year and, if so determined by the Board, distribute all or a portion of the return of capital paid by portfolio companies during the year. The fund may designate a portion of its distributions as capital gains and may also distribute additional capital gains in the last calendar quarter of the year to meet annual excise distribution requirements. The fund distributes a fixed amount per common share, currently \$0.4075, each quarter 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 the funds' performance in the short term, the fund expects such distributions to correlate with its performance over time.

## Distributable cash flow and distributions

Distributable cash flow ("DCF") is income from investments less expenses. Income from investments includes the amount received as cash or paid-in-kind distributions from common stock, master limited partnerships ("MLPs"), affiliates of MLPs, and pipeline and other energy companies in which the fund invests, and dividend payments on short-term investments. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out-of-the-money options. The total expenses include current or anticipated operating expenses and leverage costs.

Income from investments decreased approximately 4.1% as compared to 3rd quarter 2018, primarily due to trading and M&A activity within the fund's portfolio as well as lower premiums on written covered call options during the quarter. Operating expenses, consisting primarily of fund advisory fees, decreased approximately 5.6% during the quarter, primarily due to lower asset-based fees. Leverage costs increased 1.5% as compared to 3rd quarter 2018 primarily as a result of increased interest rates during the quarter. As a result of the changes in income and expenses, DCF decreased approximately 4.7% as compared to 3rd quarter 2018. In addition, the fund had net realized losses on investments of \$0.6 million during 4th quarter 2018. The fund paid a quarterly distribution of \$0.4075 per share, which was unchanged over the prior quarter and 4th quarter 2017. The fund has paid cumulative distributions to stockholders of \$11.7275 per share since its inception in October 2011.

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) the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distributions and dividend income from MLPs, common stock and other investments on their ex-dates, whereas the DCF calculation may reflect distributions and dividend income on their pay dates; (2) GAAP recognizes that a significant portion of the cash distributions received from MLPs, common stock and other investments 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 may not be included as income for GAAP purposes; and (4) net premiums on options written (premiums received less amounts paid to buy back out-of-the-money options) with expiration dates during the fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses).

"Net Investment Income (Loss)" on the Statement of Operations is adjusted as follows to reconcile to DCF for YTD and 4th quarter 2018 (in thousands):

|                                  | YTD 2018   | 4th Qtr<br>2018 |
|----------------------------------|------------|-----------------|
| Net Investment Loss              | \$ (1,506) | \$ (340)        |
| Adjustments to reconcile to DCF: |            |                 |

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|                                                     |           |          |
|-----------------------------------------------------|-----------|----------|
| Net premiums on options written                     | 4,808     | 1,154    |
| Distributions characterized<br>as return of capital | 10,316    | 2,465    |
| Dividends paid in stock                             | 1,471     | 369      |
| Other                                               | 221       | 66       |
| DCF                                                 | \$ 15,310 | \$ 3,714 |

### Leverage

The fund's leverage utilization decreased by \$1.0 million during 4th quarter 2018 and represented 29.7% of total assets at November 30, 2018. The fund has maintained compliance with its applicable coverage ratios. At year-end, approximately 63% of the leverage cost was fixed, the weighted-average maturity was 1.5 years and the weighted-average annual rate on leverage was 3.79%. These rates will vary in the future as a result of changing floating rates, utilization of the fund's credit facility and as leverage matures or is redeemed.

Please see the Financial Statements and Notes to Financial Statements for additional detail regarding critical accounting policies, results of operations, leverage and other important fund information.

For further information regarding the calculation of distributable cash flow and distributions to stockholders, as well as a discussion of the tax impact on distributions, please visit [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

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**Tortoise**

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**TTP 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 the fund believes is meaningful to understanding operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and the fund believes 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 the full financial statements.

|                                                                                                 | Year Ended November 30, |           | 2017              | 2018              |                   |                   |                   |
|-------------------------------------------------------------------------------------------------|-------------------------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                                                 | 2017                    | 2018      | Q4 <sup>(1)</sup> | Q1 <sup>(1)</sup> | Q2 <sup>(1)</sup> | Q3 <sup>(1)</sup> | Q4 <sup>(1)</sup> |
| <b>Total Income from Investments</b>                                                            |                         |           |                   |                   |                   |                   |                   |
| Dividends and distributions from investments, net of foreign taxes withheld                     | \$ 14,711               | \$ 14,738 | \$ 3,559          | \$ 3,498          | \$ 3,875          | \$ 3,716          | \$ 3,875          |
| Dividends paid in kind                                                                          | 1,194                   | 1,796     | 329               | 397               | 480               | 497               | 422               |
| Net premiums on options written                                                                 | 4,503                   | 4,808     | 967               | 1,125             | 1,294             | 1,235             | 1,154             |
| Total from investments                                                                          | 20,408                  | 21,342    | 4,855             | 5,020             | 5,649             | 5,448             | 5,225             |
| <b>Operating Expenses Before Leverage Costs</b>                                                 |                         |           |                   |                   |                   |                   |                   |
| Advisory fees, net of fees waived                                                               | 3,131                   | 2,845     | 729               | 732               | 683               | 734               | 696               |
| Other operating expenses                                                                        | 573                     | 605       | 132               | 149               | 150               | 159               | 147               |
|                                                                                                 | 3,704                   | 3,450     | 861               | 881               | 833               | 893               | 843               |
| Distributable cash flow before leverage costs                                                   | 16,704                  | 17,892    | 3,994             | 4,139             | 4,816             | 4,555             | 4,382             |
| Leverage costs <sup>(2)</sup>                                                                   | 2,271                   | 2,582     | 579               | 620               | 636               | 658               | 668               |
| <b>Distributable Cash Flow<sup>(3)</sup></b>                                                    | \$ 14,433               | \$ 15,310 | \$ 3,415          | \$ 3,519          | \$ 4,180          | \$ 3,897          | \$ 3,714          |
| <b>Net realized gain (loss) on investments and foreign currency translation, for the period</b> | \$ 2,605                | \$ (356 ) | \$ 354            | \$ 532            | \$ (1,118 )       | \$ 826            | \$ (596 )         |
| <b>As a percent of average total assets<sup>(4)</sup></b>                                       |                         |           |                   |                   |                   |                   |                   |
| Total from investments                                                                          | 7.09 %                  | 8.29 %    | 7.28 %            | 7.70 %            | 9.03 %            | 8.16 %            | 8.29 %            |
| Operating expenses before leverage costs                                                        | 1.29 %                  | 1.34 %    | 1.29 %            | 1.35 %            | 1.33 %            | 1.34 %            | 1.34 %            |
| Distributable cash flow before leverage costs                                                   | 5.80 %                  | 6.95 %    | 5.99 %            | 6.35 %            | 7.70 %            | 6.82 %            | 6.95 %            |
| <b>As a percent of average net assets<sup>(4)</sup></b>                                         |                         |           |                   |                   |                   |                   |                   |
| Total from investments                                                                          | 9.30 %                  | 11.32 %   | 9.79 %            | 10.24 %           | 12.65 %           | 11.09 %           | 11.43 %           |
| Operating expenses before leverage costs                                                        | 1.69 %                  | 1.83 %    | 1.74 %            | 1.80 %            | 1.87 %            | 1.82 %            | 1.83 %            |
| Leverage costs                                                                                  | 1.04 %                  | 1.37 %    | 1.17 %            | 1.26 %            | 1.42 %            | 1.34 %            | 1.46 %            |
| Distributable cash flow                                                                         | 6.57 %                  | 8.12 %    | 6.88 %            | 7.18 %            | 9.36 %            | 7.93 %            | 8.13 %            |
| <b>Selected Financial Information</b>                                                           |                         |           |                   |                   |                   |                   |                   |
| Distributions paid on common stock                                                              | \$ 16,327               | \$ 16,327 | \$ 4,082          | \$ 4,082          | \$ 4,081          | \$ 4,082          | \$ 4,082          |
| Distributions paid on common stock per share                                                    | 1.6300                  | 1.6300    | 0.4075            | 0.4075            | 0.4075            | 0.4075            | 0.4075            |
| Total assets, end of period <sup>(5)</sup>                                                      | 259,175                 | 235,259   | 259,175           | 245,155           | 258,764           | 268,532           | 235,259           |
| Average total assets during period <sup>(5)(6)</sup>                                            | 288,004                 | 257,585   | 267,349           | 264,274           | 248,147           | 264,986           | 252,800           |
| Leverage <sup>(7)</sup>                                                                         | 69,300                  | 69,800    | 69,300            | 69,800            | 70,100            | 70,800            | 69,300            |
| Leverage as a percent of total assets                                                           | 26.7 %                  | 29.7 %    | 26.7 %            | 28.5 %            | 27.1 %            | 26.4 %            | 29.7 %            |
| Net unrealized depreciation, end of period                                                      | (27,789)                | (34,897)  | (27,789)          | (38,233)          | (17,798)          | (6,280)           | (34,897)          |
| Net assets, end of period                                                                       | 188,517                 | 163,202   | 188,517           | 173,723           | 187,444           | 196,073           | 163,202           |
| Average net assets during period <sup>(8)</sup>                                                 | 219,359                 | 188,518   | 198,953           | 198,872           | 177,138           | 194,846           | 183,518           |
| Net asset value per common share                                                                | 18.82                   | 16.29     | 18.82             | 17.34             | 18.71             | 19.58             | 16.29             |
| Market value per common share                                                                   | 17.01                   | 14.33     | 17.01             | 16.93             | 17.36             | 17.73             | 14.33             |
| Shares outstanding (000's)                                                                      | 10,016                  | 10,016    | 10,016            | 10,016            | 10,016            | 10,016            | 10,016            |

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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 (1) the period from September through November.

(2) Leverage costs include interest expense, distributions to preferred stockholders and other recurring leverage expenses.

"Net investment income (loss)" on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow ("DCF"): increased by net premiums on options written, the return of capital on distributions, the dividends paid in stock and increased liquidation value, the premium

(3) on dividends paid in kind and amortization of debt issuance costs.

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

(5) Includes deferred issuance and offering costs on senior notes and preferred stock.

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

(7) Leverage consists of senior notes, preferred stock and outstanding borrowings under the revolving credit facility.

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

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## Tortoise

### Energy Independence Fund, Inc. (NDP)

#### Fund description

NDP seeks a high level of total return with an emphasis on current distributions paid to stockholders. NDP invests primarily in equity securities of upstream North American energy companies that engage in the exploration and production of crude oil, condensate, natural gas and natural gas liquids that generally have a significant presence in North American oil and gas fields, including shale reservoirs.

#### Fund performance review

Upstream oil and gas producers experienced a stark reversal in performance as the last fiscal quarter brought volatility with oil prices falling from a fiscal year high of \$76.41 on Oct. 5 to a low of \$50.22 on Nov. 23, 2018 and ending the fiscal year at \$50.93. Weather played a factor in natural gas prices throughout the fiscal year as they opened at \$2.84 per million British thermal units (MMBtu), quickly rose in January to peak at \$6.24 and fell to a fiscal year low of \$2.49 in February and at the fiscal year ending Nov. 30, 2018 the closing price was \$4.61. Natural gas producers performed slightly better than oil producers during the fiscal year. The fund's market-based and NAV-based returns for the fiscal year ending Nov. 30, 2018 were -15.1% and -18.1%, respectively (including the reinvestment of distributions). Comparatively, the Tortoise North American Oil and Gas Producers Index<sup>SM</sup> returned -10.4% for the same period.

#### Fiscal year-end highlights

|                                                                                      |           |
|--------------------------------------------------------------------------------------|-----------|
| Distributions paid per share (fiscal year 2018)                                      | \$1.75    |
| Distributions paid per share (4th quarter 2018)                                      | \$0.4375  |
| Distribution rate (as of 11/30/2018)                                                 | 19.4%     |
| Quarter-over-quarter distribution increase                                           | 0.0%      |
| Year-over-year distribution increase                                                 | 0.0%      |
| Cumulative distributions paid per share to stockholders since inception in July 2012 | \$10.9375 |
| Market-based total return                                                            | (15.1)%   |
| NAV-based total return                                                               | (18.1)%   |
| Premium (discount) to NAV (as of 11/30/2018)                                         | (0.2)%    |

The fund utilizes a covered call strategy, which seeks to generate income while reducing overall volatility. The premium income generated from this strategy helped to lower NAV volatility during the quarter. The notional amount of the fund's covered calls averaged approximately 72.1% of total assets and their out-of-the-money percentage at the time written averaged approximately 9.4% during the fiscal quarter.

#### Key asset performance drivers

|                                    |                                                        |                                                                                           |
|------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Energy Transfer Partners, L.P.     | Midstream natural gas/natural gas liquids pipeline MLP | Acquired by its general partner for 11% premium in simplification transaction             |
| Plains All American Pipeline, L.P. | Midstream crude oil pipeline MLP                       | Expected crude oil production growth from Permian Basin                                   |
| DCP Midstream LP                   | Midstream gathering and processing MLP                 | Higher realized natural gas liquids prices and new project announcements                  |
| RSP Permian, Inc.                  | Upstream oil and gas producer                          | Acquired by Concho Resources Inc. at a premium to existing stock price                    |
| Royal Dutch Shell PLC              | Upstream oil and gas producer                          | Diversified asset base, growth potential and increased liquefied natural gas (LNG) demand |
| Pioneer Natural Resources Company  | Upstream liquids producer                              | Wider Permian basis differentials reducing cash flow                                      |
| Devon Energy Corporation           | Upstream oil and gas producer                          | Weaker than expected SCOOP/STACK shale plays in central Oklahoma                          |
| Continental Resources Inc.         | Upstream oil and gas producer                          |                                                                                           |

Newfield Exploration  
Company

Upstream oil and gas producer

EQT Corporation

Upstream oil and gas producer

**Unlike the fund return, index return is pre-expenses.**

Significant exposure to oil prices that dropped sharply during the fourth quarter  
Weaker than expected SCOOP/STACK shale plays in central Oklahoma  
Poor execution of drilling program resulting in overhaul of management

***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. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal year.***

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Tortoise

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## Tortoise

### Energy Independence Fund, Inc. (NDP) (continued)

#### Fund structure and distribution policy

The fund is structured to qualify as a Regulated Investment Company ("RIC") allowing the fund to pass-through to shareholders the income and capital gains earned by the fund, thus avoiding double-taxation. To qualify as a RIC, the fund must meet specific income, diversification and distribution requirements. Regarding income, at least 90 percent of the fund's gross income must be from dividends, interest and capital gains. The fund must meet quarterly diversification requirements including the requirement that at least 50 percent of the assets be in cash, cash equivalents or other securities with each single issuer of other securities not greater than 5 percent of total assets. No more than 25 percent of total assets can be invested in any one issuer other than government securities or other RIC's. The fund must also distribute at least 90 percent of its investment company income. RIC's are also subject to excise tax rules which require RIC's to distribute approximately 98 percent of net income and net capital gains to avoid a 4 percent excise tax.

The fund has adopted a distribution policy which intends to distribute an amount closely approximating the total taxable income for the year and, if so determined by the Board, distribute all or a portion of the return of capital paid by portfolio companies during the year. The fund may designate a portion of its distributions as capital gains and may also distribute additional capital gains in the last calendar quarter of the year to meet annual excise distribution requirements. Distribution amounts are subject to change from time to time at the discretion of the Board. Although the level of distributions is independent of the funds' performance in the short term, the fund expects such distributions to correlate with its performance over time.

#### Distributable cash flow and distributions

Distributable cash flow ("DCF") is income from investments less expenses. Income from investments includes the amount received as cash or paid-in-kind distributions from investments and dividend payments on short-term investments. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out-of-the-money options. The total expenses include current or anticipated operating expenses and leverage costs.

Income from investments decreased approximately 6.3% as compared to 3rd quarter 2018, primarily due to lower income on premiums from covered call options. Operating expenses, consisting primarily of fund advisory fees, decreased approximately 8.7% during the quarter due primarily to lower asset-based fees. Total leverage costs increased approximately 5.2% as compared to 3rd quarter 2018, primarily due to an increase in interest rates during the quarter. As a result of the changes in income and expenses, DCF decreased by approximately 6.8% as compared to 3rd quarter 2018. In addition, the fund had net realized losses on investments of \$2.0 million during 4th quarter 2018.

The fund maintained its quarterly distribution of \$0.4375 per share during 4th quarter 2018, which was equal to the distribution paid in the prior quarter and 4th quarter 2018. The fund has paid cumulative distributions to stockholders of \$10.9375 per share since its inception in July 2012.

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) the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distributions and dividend income from MLPs, common stock and other investments on their ex-dates, whereas the DCF calculation may reflect distributions and dividend income on their pay dates; (2) GAAP recognizes that a significant portion of the cash distributions received from MLPs, common stock and other investments 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 may not be included as income for GAAP purposes; and (4) net premiums on options written (premiums received less amounts paid to buy back out-of-the-money options) with expiration dates during fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses).

"Net Investment Income (Loss)" on the Statement of Operations is adjusted as follows to reconcile to DCF for YTD and 4th quarter 2018 (in thousands):

|                                  | YTD<br>2018 | 4th Qtr<br>2018 |
|----------------------------------|-------------|-----------------|
| Net Investment Loss              | \$(4,228 )  | \$(917 )        |
| Adjustments to reconcile to DCF: |             |                 |

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|                                 |          |          |
|---------------------------------|----------|----------|
| Net premiums on options written | 24,820   | 6,400    |
| Distributions characterized     |          |          |
| as return of capital            | 4,527    | 852      |
| Other                           | 655      | 151      |
| DCF                             | \$25,774 | \$ 6,486 |

### Leverage

The fund's leverage utilization decreased \$8.1 million as compared to 3rd quarter 2018. The fund utilizes all floating rate leverage that had an interest rate of 3.15% and represented 29.9% of total assets at year-end. The fund has maintained compliance with its applicable coverage ratios. The interest rate on the fund's leverage will vary in the future along with changing floating rates.

Please see the Financial Statements and Notes to Financial Statements for additional detail regarding critical accounting policies, results of operations, leverage and other important fund information.

For further information regarding the calculation of distributable cash flow and distributions to stockholders, as well as a discussion of the tax impact on distributions, please visit [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

(unaudited)

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**NDP 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 the fund believes is meaningful to understanding operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and the fund believes 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 the full financial statements.

|                                                                                                 | Year Ended November 30, |                   | 2017               | 2018              |                    |                   |                   |
|-------------------------------------------------------------------------------------------------|-------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
|                                                                                                 | 2017                    | 2018              | Q4 <sup>(1)</sup>  | Q1 <sup>(1)</sup> | Q2 <sup>(1)</sup>  | Q3 <sup>(1)</sup> | Q4 <sup>(1)</sup> |
| <b>Total Income from Investments</b>                                                            |                         |                   |                    |                   |                    |                   |                   |
| Distributions and dividends from investments, net of foreign taxes withheld                     | \$ 5,977                | \$ 5,122          | \$ 1,441           | \$ 1,453          | \$ 1,363           | \$ 1,139          | \$ 1,167          |
| Dividends paid in stock                                                                         | 695                     | 796               | 135                | 194               | 221                | 229               | 152               |
| Net premiums on options written                                                                 | 22,648                  | 24,820            | 5,720              | 5,627             | 5,923              | 6,870             | 6,400             |
| Total from investments                                                                          | 29,320                  | 30,738            | 7,296              | 7,274             | 7,507              | 8,238             | 7,719             |
| <b>Operating Expenses Before Leverage Costs</b>                                                 |                         |                   |                    |                   |                    |                   |                   |
| Advisory fees, net of fees waived                                                               | 2,978                   | 2,639             | 681                | 693               | 662                | 671               | 613               |
| Other operating expenses                                                                        | 544                     | 566               | 125                | 141               | 144                | 147               | 134               |
|                                                                                                 | 3,522                   | 3,205             | 806                | 834               | 806                | 818               | 747               |
| Distributable cash flow before leverage costs                                                   | 25,798                  | 27,533            | 6,490              | 6,440             | 6,701              | 7,420             | 6,972             |
| Leverage costs <sup>(2)</sup>                                                                   | 1,183                   | 1,759             | 325                | 376               | 435                | 462               | 486               |
| <b>Distributable Cash Flow<sup>(3)</sup></b>                                                    | <b>\$24,615</b>         | <b>\$25,774</b>   | <b>\$6,165</b>     | <b>\$6,064</b>    | <b>\$6,266</b>     | <b>\$6,958</b>    | <b>\$6,486</b>    |
| <b>Net realized gain (loss) on investments and foreign currency translation, for the period</b> | <b>\$ (21,311)</b>      | <b>\$ (6,693)</b> | <b>\$ (18,793)</b> | <b>\$ 5,881</b>   | <b>\$ (16,976)</b> | <b>\$ 6,433</b>   | <b>\$ (2,031)</b> |
| <b>As a percent of average total assets<sup>(4)</sup></b>                                       |                         |                   |                    |                   |                    |                   |                   |
| Total from investments                                                                          | 10.52 %                 | 12.72 %           | 11.60 %            | 11.56 %           | 12.33 %            | 13.23 %           | 13.91 %           |
| Operating expenses before leverage costs                                                        | 1.26 %                  | 1.33 %            | 1.28 %             | 1.32 %            | 1.32 %             | 1.31 %            | 1.35 %            |
| Distributable cash flow before leverage costs                                                   | 9.26 %                  | 11.39 %           | 10.32 %            | 10.24 %           | 11.01 %            | 11.92 %           | 12.56 %           |
| <b>As a percent of average net assets<sup>(4)</sup></b>                                         |                         |                   |                    |                   |                    |                   |                   |
| Total from investments                                                                          | 13.97 %                 | 17.42 %           | 15.77 %            | 15.42 %           | 17.01 %            | 18.25 %           | 19.29 %           |
| Operating expenses before leverage costs                                                        | 1.68 %                  | 1.82 %            | 1.74 %             | 1.77 %            | 1.83 %             | 1.81 %            | 1.87 %            |
| Leverage costs                                                                                  | 0.56 %                  | 1.00 %            | 0.70 %             | 0.80 %            | 0.99 %             | 1.02 %            | 1.21 %            |
| Distributable cash flow                                                                         | 11.73 %                 | 14.60 %           | 13.33 %            | 12.85 %           | 14.19 %            | 15.42 %           | 16.21 %           |
| <b>Selected Financial Information</b>                                                           |                         |                   |                    |                   |                    |                   |                   |
| Distributions paid on common stock                                                              | \$ 25,460               | \$ 25,587         | \$ 6,380           | \$ 6,380          | \$ 6,391           | \$ 6,402          | \$ 6,414          |
| Distributions paid on common stock per share                                                    | 1.7500                  | 1.7500            | 0.4375             | 0.4375            | 0.4375             | 0.4375            | 0.4375            |
| Total assets, end of period                                                                     | 255,302                 | 191,285           | 255,302            | 236,174           | 245,593            | 242,150           | 191,285           |
| Average total assets during period <sup>(5)</sup>                                               | 278,827                 | 241,656           | 252,191            | 255,282           | 241,582            | 246,956           | 222,541           |
| Leverage <sup>(6)</sup>                                                                         | 64,500                  | 57,100            | 64,500             | 68,000            | 65,800             | 65,200            | 57,100            |
| Leverage as a percent of total assets                                                           | 25.3 %                  | 29.9 %            | 25.3 %             | 28.8 %            | 26.8 %             | 26.9 %            | 29.9 %            |
| Net unrealized depreciation, end of period                                                      | (19,852)                | (50,328)          | (19,852)           | (41,518)          | (4,811)            | (15,314)          | (50,328)          |
| Net assets, end of period                                                                       | 187,889                 | 132,488           | 187,889            | 166,253           | 176,262            | 172,423           | 132,488           |
| Average net assets during period <sup>(7)</sup>                                                 | 209,940                 | 176,481           | 185,583            | 191,359           | 175,128            | 179,054           | 160,534           |
| Net asset value per common share                                                                | 12.88                   | 9.02              | 12.88              | 11.38             | 12.18              | 11.76             | 9.02              |
| Market value per common share                                                                   | 12.39                   | 9.00              | 12.39              | 11.80             | 12.47              | 12.69             | 9.00              |
| Shares outstanding (000's)                                                                      | 14,584                  | 14,696            | 14,584             | 14,607            | 14,633             | 14,660            | 14,696            |

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 (1) the period from September through November.

(2) Leverage costs include interest expense and other recurring leverage expenses.

"Net investment income (loss)" on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow ("DCF"): increased by (3) net premiums on options written, the return of capital on distributions the distributions paid in stock and the premium on dividends paid in kind.

(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.

**Tortoise**

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## Tortoise

### Power and Energy Infrastructure Fund, Inc. (TPZ)

#### Fund description

TPZ seeks to provide a high level of current income to stockholders, with a secondary objective of capital appreciation. TPZ seeks to invest primarily in fixed income and dividend-paying equity securities of power and energy infrastructure companies that provide stable and defensive characteristics throughout economic cycles.

#### Fund performance review

The midstream segment pulled back along with broad energy, as well as from near-term uncertainty around simplification transactions and further evolution of the midstream segment. The fund's market-based and NAV-based returns for the fiscal year ending Nov. 30, 2018 were -6.8% and 0.2%, respectively (including the reinvestment of distributions). Comparatively, the TPZ Benchmark Composite\* returned -1.7% for the same period. The fund's fixed income holdings underperformed its midstream energy equity holdings on a total return basis.

#### Fiscal year-end highlights

|                                                                         |           |
|-------------------------------------------------------------------------|-----------|
| Distributions paid per share (fiscal year 2018)                         | \$1.50    |
| Monthly distributions paid per share (4th quarter 2018)                 | \$0.1250  |
| Distribution rate (as of 11/30/2018)                                    | 8.7%      |
| Quarter-over-quarter distribution increase                              | 0.0%      |
| Year-over-year distribution increase                                    | 0.0%      |
| Cumulative distribution to stockholders<br>since inception in July 2009 | \$15.2750 |
| Market-based total return                                               | (6.8)%    |
| NAV-based total return                                                  | 0.2%      |
| Premium (discount) to NAV (as of 11/30/2018)                            | (13.1)%   |

\* The TPZ Benchmark Composite includes the BofA Merrill Lynch U.S. Energy Index (CIEN), the BofA Merrill Lynch U.S. Electricity Index (CUEL