TORTOISE ENERGY INFRASTRUCTURE CORP
Form N-CSR/A
May 18, 2005

As filed with the Securities and Exchange Commission on May 18, 2005

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 **811-21462**

Tortoise Energy Infrastructure Corporation
(Exact name of registrant as specified in charter)

10801 Mastin Blvd., Suite 222, Overland Park, KS 66210
(Address of principal executive offices) (Zip code)

David J. Schulte
10801 Mastin Blvd., Suite 222, Overland Park, KS 66210
(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, 2004**

Item 1. Report to Stockholders.

Yield.

Growth.

Quality.

2004 Annual Report

Tortoise Energy Infrastructure Corporation

2004 Company at a Glance

A pioneering closed-end investment company investing primarily in equity securities of Master Limited Partnerships (MLPs) operating energy infrastructure assets

Objectives: Yield, Growth, Quality

Milestones

- Initial Public Offering completed and operations commenced February 27
- First Aaa Rated Notes Offering in MLP sector, completed July 15
- First Aa Rated Money Market Cumulative Preferred Stock Offering, completed September 16
- Declared the Company s third quarterly dividend of $0.43 per share, exceeding full investment dividend goal
- Completed Follow-on Common Stock Offering December 22 (the first in closed-end funds in a decade)

About Master Limited Partnerships

MLPs are limited partnerships whose interests are traded in the form of units on public exchanges such as the New York Stock Exchange, the NASDAQ and the American Stock Exchange. Buying MLP units makes an investor a limited partner in the MLP. There are currently more than 50 MLPs on the market, mostly in industries related to energy, natural resources, and real estate.

Tortoise Energy Infrastructure Corporation s Investment Objective: Yield, Growth and Quality

Tortoise Energy invests primarily in MLPs in the energy infrastructure sector. Our goal is to provide our stockholders with a high level of total return with an emphasis on current distributions paid to stockholders and dividend growth. Energy infrastructure MLPs are engaged in the transportation, storage and processing of crude oil, natural gas, and refined products from production points to the end users. Our investments are primarily in mid-stream and pipeline operations, which produce steady cash flows with less exposure to commodity prices than many alternative investments in the broader energy industry. With the growth potential of this sector along with our disciplined investment approach, we endeavor to generate a predictable and increasing dividend stream for our investors.

A Tortoise Energy Investment Versus a Direct Investment in MLPs

The Company provides its stockholders with an efficient alternative to investing directly in MLPs. A direct investment in an MLP offers the opportunity to receive an attractive distribution that is approximately 80% tax deferred with a low correlation to stocks and bonds. However, the tax characteristics of a direct MLP investment are generally undesirable for tax-exempt investors such as retirement plans. Tortoise Energy is structured as a C Corporation accruing federal and state income taxes, based on taxable earnings and profits. Because of this innovative structure, pioneered by Tortoise Capital Advisors, institutions and retirement accounts are able to join individual stockholders as investors in MLPs.

Additional features of Tortoise Energy include:

One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings for individual partnership investments;

A professional management team, with nearly 100 years combined investment experience, to select and manage the portfolio on your behalf;

The ability to access investment grade credit markets to enhance the portfolio size and dividend rate, and

Access to direct placements and other investments not available through the public markets.

Portfolio Selection

Step 1: Select MLPs with strong management teams and appropriate corporate governance policies.

Step 2: Emphasize MLPs with strong market positioning and good growth prospects.

Step 3: Proprietary valuation model used to determine portfolio weightings.
(Unaudited)

Summary Financial Information

Year Ended November 30	**2004**
Market value per share	$ 27.06
Net asset value per share	26.53
Total net assets	336,552,543
Unrealized appreciation before deferred taxes	78,584,990
After taxes	47,869,142
Net investment loss	(243,288)
Total realized loss	(34,027)
Total return (based on market value), inception to Nov. 30	12.51%
Expense ratio to average net assets(1)	1.62%
Expense ratio, excluding interest and auction agent fees, to net assets(2)	1.22%

(1) Annualized. Represents expenses, after fee reimbursement, and excludes non-recurring organizational expenses.
(2) Annualized. Represents expenses, excluding interest, auction agent fees and non-recurring organizational expenses.

* Initial Public Offering completed on February 27. Fiscal year end November 30.
(Unaudited)

High current dividends paid to stockholders

January 19, 2005

T O O U R F E L L O W S T O C K H O L D E R S

We are pleased to present Tortoise Energy s first annual report in which we will share our perspective and accomplishments for the fiscal year ended November 30, 2004, and provide our outlook for the coming year.

The Year in Review

Tortoise Energy s investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders and dividend growth. We achieve this by investing in what we believe to be a high quality segment of the equity market: Master Limited Partnerships (MLPs) that operate energy infrastructure assets. We believe the Company is positioned to deliver on our promise of yield, growth, and quality into the future.

On February 27, 2004, we completed our initial public offering, creating the first closed-end fund focused on MLPs. After completing the initial offering in February, we fully invested the proceeds by mid-summer and then completed a $110 million Tortoise Notes offering in July 2004. After investing the proceeds of the Notes offering, we raised $35 million by issuing Money Market Cumulative Preferred Shares in September 2004. We fixed the rate on $110 million of our borrowings through July of 2007 by utilizing an interest rate hedge to reduce our exposure to potential increases in interest rates.

We are proud of both the pace and the results of Tortoise Energy s investment activities. We successfully identified MLPs offering not only attractive yields, but distribution growth. In fact, 80% of our investments increased their distributions during the year. While our focus on high quality issuers may cause us to miss some upside opportunities, we believe our disciplined investment strategy also results in our avoiding riskier investments. The total return to an investor that purchased at the IPO, including dividends, at year end was 12.5%.

(Unaudited)

An industry with real, hard assets and increasing demand from economic and population growth

During November 2004, we declared our third quarterly dividend $0.43 per share which was paid on December 1st, bringing the total dividends paid since inception to $0.97 per share. All of the dividends we have paid to date are a non-taxable return of capital. Assuming no growth in dividends, a quarterly dividend of $0.43 will generate $1.72 in annual dividends.

While the Company expects to report net investment loss due to the nature of its investments in MLPs, Tortoise Energy s distributable cash flow is strong. We have summarized the significant information in the table below. We believe distributable cash flow is the best measure of our dividend-paying capacity.

	Three months ended November 30, 2004(1)		For the period ended November 30, 2004(1)	
Distributions received from MLPs	$	7,273,590	$	14,304,509
Plus: Stock dividend		633,690		1,597,081
Interest and dividend income		237,239		1,033,330
Cash received from investments	$	8,144,519	$	16,934,920
Operating expenses(2)		(2,468,641)		(4,293,977)
DCF	$	5,675,878	$	12,640,943
Average shares outstanding for the period		12,684,154		12,684,154
Dividend per share	$	0.43	$	0.97

(1) For complete financial information refer to the audited financial statements and footnotes included in this report.

(2) Current and anticipated operating expenses for the period, including leverage costs, less the expense reimbursement and waiver from the adviser.

(Unaudited)

Strategic asset selection of stable recurring revenue streams by an experienced management team

Subsequent Events

We issued an additional 1.75 million common shares at $27.35 per share on December 16, 2004, to provide Tortoise Energy with financial flexibility to participate in what we believe to be favorable additional investment opportunities. This equity offering the first follow-on offering of a closed-end fund in almost a decade netted proceeds of $46.2 million to the Company. If favorable investment opportunities are available after we invest the proceeds of this offering, we expect to employ additional leverage in the first quarter of 2005.

Outlook for MLPs & Tortoise Energy

This past year, the U.S. economy experienced growth in demand for crude oil, natural gas, and refined products. This growth in demand for energy commodities is the primary driver of revenue for MLPs operating in the energy infrastructure sector. Increases in volumes transported, processed, stored, and delivered have positively impacted the operating results and cash distributions of the MLPs in which we have invested. In spite of rising oil and gas prices during the year, the demand for energy commodities continued to grow. Acquisition activity by MLPs was also strong during the year, as MLPs purchased $7 billion in assets another positive indicator of growth.

Unlike most equity securities, MLPs pay out virtually all of their operating cash flow and, therefore, have high levels of distributions for unitholders. Unlike fixed income securities, the income paid to unitholders can grow. We anticipate dividend growth at least equal to nominal U.S. GDP in the long run as a consequence of economic and population growth driving volume and, therefore utilization of U.S. energy infrastructure. If our analysis is correct, Tortoise stockholders will have a steadily growing dividend for years to come.

While many economists are predicting higher short- and long-term interest rates and the Federal Reserve has increased the short-term Federal funds rate, we believe that the ability of MLPs to increase distributions should help maintain pricing for the MLP shares.

In Conclusion

We believe that Tortoise Energy has established a solid foundation for many years of successful operation, and we will continue to focus on the fundamental principles that guide our firm: **Yield**, **Growth**, and **Quality**. We look forward to serving you in the coming year and hope to see you at the Annual Stockholders Meeting on April 15, 2005.

Sincerely,

The Managers
Tortoise Capital Advisors, L.L.C.

/s/ Terry Matlack H.	/s/ Kevin Birzer	/s/ David J. Schulte	/s/ Zachary A. Hamel	/s/ Kenneth P. Malvey
Terry Matlack H.	Kevin Birzer	David J. Schulte	Zachary A. Hamel	Kenneth P. Malvey

Steady Wins&#-8123;

(Unaudited)

4

Tortoise Energy Infrastructure Corporation

Business Description and 2004 Financials

T A B L E O F C O N T E N T S

B U S I N E S S D E S C R I P T I O N

November 30, 2004

To r t o i s e E n e r g y

Tortoise Energy Infrastructure Corporation (Tortoise Energy) commenced operations in February 2004. Tortoise Energy s investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders and dividend growth. For purposes of Tortoise Energy s investment objective, total return includes capital appreciation of, and all distributions received from, securities in which Tortoise Energy will invest regardless of the tax character of the distributions. Tortoise Energy seeks to provide its stockholders with an efficient vehicle to invest in a portfolio of publicly traded master limited partnerships (MLPs) in the energy infrastructure sector. Similar to the tax characterization of distributions made by MLPs to its unitholders, Tortoise Energy believes that it will have relatively high levels of deferred taxable income associated with distributions made to its stockholders. Tortoise Energy is regulated as a non-diversified investment management company, for which Tortoise Capital Advisors, L.L.C. (the Adviser) serves as Tortoise Energy s investment adviser.

E n e r g y I n f ra s t r u c t u r e I n d u s t r y

Energy infrastructure companies engage in the business of transporting, processing, storing, distributing or marketing natural gas, natural gas liquids (primarily propane), coal, crude oil or refined petroleum products, or exploring, developing, managing or producing such commodities. Under normal circumstances, Tortoise Energy invests at least 90% of its total assets (including assets obtained through leverage) in securities of energy infrastructure companies and invests at least 70% of its total assets in equity securities of MLPs. Tortoise Energy invests solely in energy infrastructure companies organized in the United States.

Energy infrastructure companies (other than most pipeline MLPs) do not operate as public utilities or local distribution companies, and are therefore not subject to rate regulation by state or federal utility commissions. However, energy infrastructure companies may be subject to greater competitive factors than utility companies, including competitive pricing in the absence of regulated tariff rates, which could cause a reduction in revenue and which could adversely affect profitability. Most pipeline MLPs are subject to government regulation concerning the construction, pricing and operation of pipelines. Pipeline MLPs are able to set prices (rates or tariffs) to cover operating costs, depreciation and taxes, and provide a return on investment. These rates are monitored by the Federal Energy Regulatory Commission (FERC) which seeks to ensure that consumers receive adequate and reliable supplies of energy at the lowest possible price while providing energy suppliers and transporters a just and reasonable return on capital investment and the opportunity to adjust to changing market conditions.

Master Limited Partnerships

Under normal circumstances, Tortoise Energy invests at least 70% of its total assets in equity securities of MLPs that derive at least 90% of their income from energy infrastructure operations and are organized as partnerships, thereby eliminating income tax at the entity level. The MLP has two classes of partners, the general partner, and the limited partners. The general partner is usually a major energy company, investment fund or the direct management of the MLP. The general partner normally controls the MLP through a 2% equity interest plus units that are subordinated to the common (publicly traded) units for at least the first five years of the partnership s existence and then only converting to common if certain financial tests are met.

As a motivation for the general partner to successfully manage the MLP and increase cash flows, the terms of most

MLPs typically provide that the general partner receives a larger portion of the net income as distributions reach higher target levels. As cash flow grows, the general partner receives a greater interest in the incremental income compared to the interest of limited partners. The general partner s incentive compensation typically increases up to 50% of incremental income. Nevertheless, the aggregate amount distributed to limited partners will increase as MLP distributions reach higher target levels. Given this incentive structure, the general partner has an incentive to streamline operations and undertake acquisitions and growth projects in order to increase distributions to all partners.

(Unaudited)

BUSINESS DESCRIPTION
(Continued)

Energy infrastructure MLPs in which Tortoise Energy invests can generally be classified in the following categories:

Pipeline MLPs are common carrier transporters of natural gas, natural gas liquids (primarily propane, ethane, butane and natural gasoline), crude oil or refined petroleum products (gasoline, diesel fuel and jet fuel). Pipeline MLPs also may operate ancillary businesses such as storage and marketing of such products. Revenue is derived from capacity and transportation fees. Historically, pipeline output has been less exposed to cyclical economic forces due to its low cost structure and government-regulated nature. In addition, pipeline MLPs do not have direct commodity price exposure because they do not own the product being shipped.

Processing MLPs are gatherers and processors of natural gas as well as providers of transportation, fractionation and storage of natural gas liquids (NGLs). Revenue is derived from providing services to natural gas producers, which require treatment or processing before their natural gas commodity can be marketed to utilities and other end user markets. Revenue for the processor is fee based, although it is not uncommon to have some participation in the prices of the natural gas and NGL commodities for a portion of revenue.

Propane MLPs are distributors of propane to homeowners for space and water heating. Revenue is derived from the resale of the commodity on a margin over wholesale cost. The ability to maintain margin is a key to profitability. Propane serves approximately 3% of the household energy needs in the United States, largely for homes beyond the geographic reach of natural gas distribution pipelines. Approximately 70% of annual cash flow is earned during the winter heating season (October through March). Accordingly, volumes are weather dependent, but have utility type functions similar to electricity and natural gas.

Coal MLPs own, lease and manage coal reserves. Revenue is derived from production and sale of coal, or from royalty payments related to leases to coal producers. Electricity generation is the primary use of coal in the United States. Demand for electricity and supply of alternative fuels to generators are the primary drivers of coal demand. Coal MLPs are subject to operating and production risks, such as: the MLP or a lessee meeting necessary production volumes; federal, state and local laws and regulations which may limit the ability to produce coal; the MLPs ability to manage production costs and pay mining reclamation costs; and the effect on demand that the Clean Air Act standards have on coal end-users.

Tortoise Energy invests primarily in equity securities of MLPs, which currently consist of the following instruments: common units, convertible subordinated units and I-Shares. Almost all MLP common units and I-Shares in which Tortoise Energy invests are listed and traded on the NYSE, American Stock Exchange (AMEX) or NASDAQ National Market. Tortoise Energy also may purchase MLP common units through direct placements. MLP convertible subordinated units are not listed or publicly traded and are typically purchased in directly negotiated transactions with MLP affiliates or institutional holders of such shares.

MLP common unitholders have typical limited partner rights, including limited management and voting rights. MLP common units have priority over convertible subordinated units upon liquidation. Common unit holders are entitled to minimum quarterly distributions (MQD), including arrearage rights, prior to any distribution payments to convertible subordinated unit holders or incentive distribution payments to the general partner. MLP convertible subordinated units are convertible into common units on a one-to-one basis after the passage of time and/or achievement of specified financial goals. MLP convertible subordinated units are entitled to MQD after the payments to holders of common units and before incentive distributions to the general partner. MLP convertible subordinated units do not have arrearage rights. I-Shares have similar features to common units except that distributions are payable in additional I-Shares rather than cash. Tortoise Energy invests in I-Shares only if it has adequate cash to satisfy its distribution targets.

Although Tortoise Energy also may invest in equity and debt securities of energy infrastructure companies that are organized and/or taxed as corporations, it is likely that any such investments will be in debt securities because the dividends from equity securities of such corporations typically do not meet Tortoise Energy s investment objective. Tortoise Energy also may invest in securities of general partners or other affiliates of MLPs and private companies operating energy infrastructure assets.

(Unaudited)

B U S I N E S S D E S C R I P T I O N
(Continued)

Summary of Investment Polici e s
Under normal circumstances, Tortoise Energy will invest at least 90% of its total assets (including assets obtained through leverage) in securities of energy infrastructure companies, and will invest at least 70% of its total assets in equity securities of MLPs.

Tortoise Energy has adopted the following additional nonfundamental investment policies:

Tortoise Energy may invest up to 30% of its total assets in restricted securities. Subject to this policy, Tortoise Energy may invest without limitation in illiquid securities.

Tortoise Energy may invest up to 25% of total assets in debt securities of energy infrastructure companies, including securities rated below noninvestment grade (commonly referred to as junk bonds).

Tortoise Energy will not invest more than 10% of total assets in any single issuer.

Tortoise Energy will not engage in short sales.

Following its initial public offering, Tortoise Energy leveraged its capital structure through the issuance of auction rate senior notes and auction rate preferred stock. Tortoise Energy expects to engage in additional leverage in the first quarter of 2005. The Board of Directors approved temporary investment policies pending the receipt of leverage proceeds, which allowed Tortoise Energy to base its 10% limit on assets in a single issuer and its 30% limit on restricted securities on anticipated leverage proceeds rather than total assets at the time of purchase. In the event that leverage proceeds are not realized or are less than anticipated, Tortoise Energy may hold securities in excess of its stated policy limits and may be forced to liquidate such investments during unfavorable market conditions.

Tax Status of Company
Unlike most investment companies, Tortoise Energy is not treated as a regulated investment company under the U.S. Internal Revenue Code of 1986, as amended (the Internal Revenue Code). Therefore, Tortoise Energy is obligated to pay federal and applicable state corporate taxes on its taxable income. Unlike regulated investment companies, Tortoise Energy is not required to distribute substantially all of its income and capital gains. Tortoise Energy invests a substantial portion of its assets in MLPs. Although the MLPs generate income taxable to Tortoise Energy, Tortoise Energy expects the