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Tesla to Buy Power From KKR-Backed Arizona Solar, Battery Plant

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✦ Takeaways by Bloomberg AI

- Tesla Inc. struck a long-term deal to buy electricity from a KKR & Co.-backed solar and battery project in Arizona, developer ContourGlobal said.
- The firm will sell 90% of the output from Project Sterling to Tesla, with the facility scheduled to begin operating in 2028 and including 509 megawatts of peak solar generation and 360 megawatts of four-hour battery storage.
- The agreement is rare for Tesla and highlights the growing need to enter power purchase agreements as AI-driven data-center growth tightens US markets.

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The firm will sell 90% of the output from Project Sterling to Tesla, according to a statement. The facility is scheduled to begin operating in 2028 and will include 509 megawatts of peak solar generation and 360 megawatts of four-hour battery storage. Financial terms weren't disclosed.

The agreement is rare for Tesla and highlights the growing need to enter so-called power purchase agreements as AI-driven data-center growth tightens US markets. Other tech giants have been entering such contracts for years, and were major drivers of the solar and wind boom of the past decade. Renewable projects paired with batteries have become one of the fastest ways to bring new capacity online, particularly in regions where utilities are struggling to meet rising demand.

Tesla, which typically buys its electricity from local utilities and grids, didn't respond to requests for comment outside normal business hours. The firm also owns some generation assets.

The plant will be connected to the grid overseen by the Western Area Power Administration with access to California. Grids across the US face unprecedented demand growth as the data center buildout has severely strained network areas that until recently had massive supply gluts.

The average electricity price to consumers is projected to increase 4.3% this year to a record 14.22 cents per kilowatt-hour, according to US Energy Information Administration data going back to the late 1990s.

The deal is the first between Tesla and ContourGlobal. Agreements such as this one typically run for 10 to 15 years, providing buyers with predictable electricity costs while giving developers the revenue certainty needed to finance new projects.

Sterling will become the largest renewable asset in ContourGlobal's portfolio. The company acquired the project in late 2024 and will trade the remaining 10% of its output by itself.



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